

Real Estate Outlook: Existing Home Sales Rise Slightly

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by Carla Hill, Managing Editor

Are the economy and housing market finally showing marked improvements on the road to recovery?

The National Association of Realtors' latest survey shows that existing-home sales rose again in September, a positive sign that the market is moving in the right direction.

Lawrence Yun, NAR chief economist, said, "A housing recovery is taking place, but will be choppy at times depending on the duration and impact of a foreclosure moratorium. But the overall direction should be a gradual rising trend in home sales with buyers responding to historically low mortgage interest rates and very favorable affordability conditions."

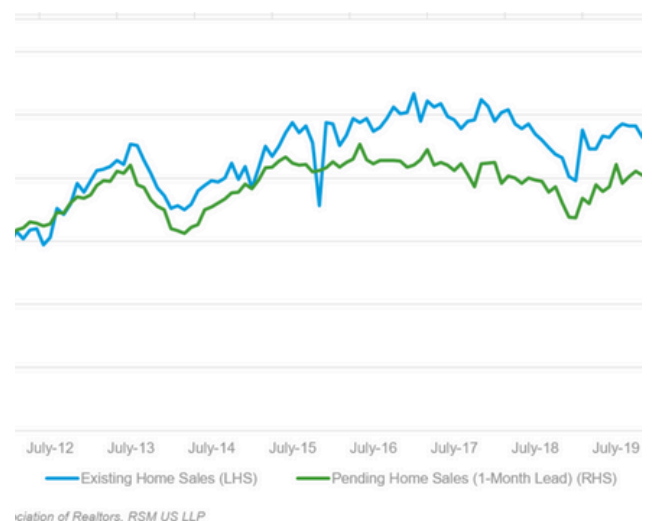
Helping the market on it's way back to health are historically low interest rates, nearly half what they were a decade ago. And, according to NAR President Vicki Cox Golder, "Home prices are running about 22 percent less than five years ago when they were bid up by the biggest housing rush on record."

This means housing is affordable, with many areas seeing monthly mortgage payments less than monthly rent. Lower home prices, however, have been linked with the foreclosures crisis. The uncertainty over the legal status of foreclosed homes in the nation could further depress home prices and delay the recovery of the housing market, the Obama administration said last week.

Distressed homes still accounted for 35 percent of sales in September. They were just 29 percent a year ago.

And the government's Troubled Asset Relief Program's special inspector general reported last week that 5.5 million homes had been the subject of foreclosure filings and that 1.7 million homeowners had lost their homes since January 2009.

Major banks held their own internal reviews of foreclosure policies and procedures in the last several weeks. But Federal Reserve Chairman, Ben Bernanke, remarks, "We have been concerned about reported irregularities in foreclosure practices at a number of large financial institutions. The federal banking agencies are working together to complete an in-depth review of practices at the largest mortgage servicing operations. We are looking intensively at the firms' policies, procedures, and internal controls related to foreclosures and seeking to determine whether systematic weaknesses are leading to improper foreclosures."



Hopefully these reviews will slow help in the housing market's recovery. In the face of this crisis, consumer confidence remains tepid.

Lynn Franco, Director of The Conference Board Consumer Research Center, says, "Consumer confidence, while slightly improved from September levels, is still hovering at historically low levels. Consumers' assessment of the current state of the economy is relatively unchanged, primarily because labor market conditions have yet to significantly improve." Though new filing for unemployment have dropped to the lowest level since July.

She continues that "despite the uptick in Expectations, consumers continue to be quite concerned about the short-term outlook. Both present and future indicators point toward more of the same in the coming months."