HARRY NORMAN, REALTORS®

Housing Trends 2009

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We've made it to 2009! A fresh start after what will probably go down in history as one of the most challenging economic years to date. Without a doubt, the stock, mortgage and housing markets made the headlines in 2008. Everyone was hit by the turbulence, but as the winds calm many will undoubtedly look for the silver lining. I believe that in the long run, housing may just be the silver lining everyone seeks. The economic downturn started with housing and it is going to take a return to normalcy in the housing market to turn us around. But I think we need to adjust what we consider a normal housing market.

HomeServices of America* Chairman and CEO Ron Peltier said it best in a recent RISMedia article. He said, "We can't continue to think that the market is going to go back to 7 million home sales per year; it's not…It's our job to recognize that and help people understand that real estate is still a great long-term investment. If we can do that there will be buyers." *(RISMedia 1/1/2009)*

I believe as we look for new possibilities, having the correct information necessary to make sound decisions becomes crucial. There have been a number of sensational stories in the press recently, but it is rare for these stories to take an in-depth look into how we got here.

So how did we get to this point with the housing market? 2004 through 2006 were great years for just about everyone buying or selling a home. The demand for housing was high due to historically low mortgage interest rates and easy qualifying terms. "In the boom years, that [existing-home sales] grew beyond a sustainable level to 7 million, largely driven by speculators-who represented about 25%," said Peltier.

In many places, like the West Coast, Southern Florida and Nevada, the cost of housing climbed into the stratosphere because real estate investors created a false demand. Many financial institutions granted mortgages to speculators and those who couldn't afford them, and in the summer of '07 we began to see those institutions fail, which rippled throughout the industry.

All the turmoil in the housing market does offer a hidden nugget for buyers however. At this point, we have quite a bit of inventory due to overbuilding in the boom years and record foreclosures. More supply than demand equals a drop in prices. This spells an increase in affordability across all markets.

According to a report recently released by the Lawrence Yun, chief economist of the National Association of Realtors®, "NAR's housing affordability index, which looks at the relationship between home prices, mortgage interest rates and family income, is on track to match a record high set in 1972."

More action by the government to help the housing market get back on its feet is likely to speed overall economic recovery. "With a proper real-estate focused stimulus measure, home sales could rise more than expected, by more than 10 percent to 5.5 million in 2009 and easily begin to stabilize home prices in many parts of the country. Stable home prices will, in turn, lessen foreclosure pressures and lay the foundations for a solid economic recovery as the nation's 75 million homeowners regain confidence," said Yun.

With 79-years of expertise working in residential real estate, Harry Norman, Realtors® is sure of one thing about the current state of the housing market; this too shall pass. We believe that homeownership will remain the bedrock on which most people will build their financial security in the long term. It is our goal to continue to be a resource for the most current and pertinent housing market information so as to offer the most relevant assistance to our clients and customers. No matter the state of the market, Harry Norman, Realtors® looks forward to providing you with excellent real estate products and services for years to come.

Martha Hayhurst

Housing Affordability *Monthly Mortgage Payment to Income*	**Atlanta**	**U.S.**
Ratio for all of 2007	12.9% Good	22.4%
Ratio for Q2 2008	11.5% Improving	20.8%
Historical Local Average	13.1% Good	22.8%

Source: National Association of Realtors®

* *Harry Norman, Realtors is a wholly-owned subsidiary of HomeServices of America, Inc., a Berkshire Hathaway affiliate.*

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National Economic and Housing Statistics

3 Key Signs That Recovery Is On The Way!

- The Three-Month TED spread: The difference between the interest rate at which banks borrow and the three-month T-bill rate. It is at 3%. Returning to 1% spells market normalcy.
- Watch real estate inventory: The number of months' worth of inventory is a good indicator of home prices. Nationally, we are at about 10 months worth; six months worth is best.
- Track initial jobless claims: Currently the number is running between 450,000 and 500,000. Below 400,000 is a sign of better days ahead.

Source: CNNMoney.com 11/4/2008

Housing market predicted to make a slow but steady recovery over the next year

U.S. Housing Outlook: January 2009	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2
Housing Indicators **Existing Homes Sales: Single Family/Condo/ Co-ops** *Thousands*	4,712	5,057	5,185	5,259	5,358	5,381	5,543
New Single Family Sales *Thousands*	382	340	341	352	434	455	511
% Change -Year Ago Existing Homes Sales: Single Family/Condo/ Co-ops	-5.7	2.1	5.6	4.7	13.7	6.4	6.9
% Change - Year Ago New Single Family Sales	-41.4	-39.3	-34.3	-24.4	13.6	33.6	49.9
Median Home Prices Existing Home Prices *Thousands of Dollars*	178.9	183.6	208.1	209.1	186.6	191.7	217.5
New Home Prices *Thousands of Dollars*	216.1	223.0	239.5	235.9	225.4	233.5	250.8
% Change - Year Ago Existing Home Prices	-13.8	-7.5	0.0	3.7	4.3	4.4	4.5
% Change - Year Ago New Home Prices	-8.8	-5.4	1.2	3.5	4.3	4.7	4.7

Source: National Association of Realtors®

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