

FRONT LINES: **Economy**

The Wrong Correction

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Consumers are hearing a lot in the media about the correction in housing, and they're understandably concerned about whether now is a good time to get into the housing market. This hesitancy is evident in home sales volume: Even though interest rates fell to 6.2 percent in early 2007 from 6.8 percent in August 2006, and the economy added 3.5 million new jobs, existing-home sales were down 8.5 percent in 2006, with further softening expected in 2007. The irony, of course, is that although declines in sales volume have hurt real estate practitioners, they may be a plus for consumers.

To a great extent, we can thank steady media coverage of the real estate market "correction" for unfounded consumer concerns. In Columbus, Ohio, for example, the median home price is about \$150,000, and price appreciation during the boom years was modest. So when Columbus buyers stay out of the market, you know there's a lot of misunderstanding about today's markets.

If there's a correction in markets today, it's in home sales volume and housing starts, not in home prices. You see the effects of those declines in weakening practitioner income and construction employment. There's pain out there.

But there's no real correction where consumers are concerned. Yes, home price appreciation has slowed considerably, and nationally we're expecting a price drop of 1 percent for 2007. But that drop comes at the tail end of a five-year spurt that increased home prices by 53 percent. We may have taken one small step back, but that's after taking 53 steps forward.

Even a relatively large price decline, such as the 12 percent drop we saw in Sarasota, Fla., cannot reasonably be called a correction when that market had a 150 percent price increase during the boom.

When today's consumers look at real estate markets, they need to use the same analytical approach as investors in the stock market. Those buyers aren't generally concerned about the volume of stock trades on a given day. Why should they be? They're focused on price trends. And by that measure, now is a great time for consumers to be in the housing market: Prices have steadied, and inventories are healthy.

The media aren't making the distinction between what's happening to you — fewer home sales, fewer homes coming online — and what's happening to consumers, more buying opportunities.

Business Confidence: Listings to pick up

Practitioners anticipate traffic gains in the months ahead, particularly from sellers, though current markets are seen as flat. Practitioner confidence was surveyed in May and looks ahead six months.



Results are based on 363 responses to 3,000 surveys sent to large and small real estate offices. The survey asks practitioners to indicate whether conditions are strong (100 points), moderate (50), or weak (0). Responses are averaged to derive results.

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