

November 30, 2011

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Housing to gradually improve in 2012, NAR economist says

by KERRY CURRY

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Friday, November 11th, 2011, 4:12 pm

Gradual improvement in the housing market is expected next year, with existing-home sales edging up 4% to 5% and new home sales getting an even bigger boost off this year's record lows, the chief economist of the nation's largest real estate group said Friday.

"Tight mortgage credit conditions have been holding back homebuyers all year, and consumer confidence has been shaky recently," Lawrence Yun, chief economist of the **National Association of Realtors**, said. "Nonetheless, there is a sizeable pent-up demand based on population growth, employment levels and a doubling-up phenomenon that can't continue indefinitely."

Yun, who made his comments during the annual NAR conference for real estate agents under way in Anaheim, Calif., projected gross domestic product growth of 1.8% for 2011, rising to 2.2% in 2012 with the unemployment rate declining to 8.7% by the second half of 2012.

Mortgage interest rates, he predicted, would gradually rise from record 2011 lows to 4.5% by the middle of 2012.

"Very favorable affordability conditions will dominate next year as well, which will probably be the second best year on record dating back to 1970. Our hope is that credit restrictions will ease and allow more homebuyers to take advantage of current opportunities."

Existing-home sales are forecast to edge up about 1% this year. Based on NAR's current projection model, existing-home sales would total 4.96 million in 2011. NAR is revising downward existing-home sales totals in recent years although it expects little change to previously reported comparisons based on percentage change.

New-home sales for 2011 are projected at 302,000 this year, a record low, with expectations that they will rise about 23% to 372,000 in 2012.

Housing starts are forecast to rise about 8% to 630,000 from 583,000 in 2011.

With falling inventory, the median home price should rise in 2012, he said. "Home prices have yet to show a definitive stabilization pattern in most areas. Still, given an over-correction in prices, there likely will be moderate appreciation in 2012," Yun said.

Richard Peach, senior vice president at the **Federal Reserve Board of New York**, said the economy continues to disappoint. "Among the significant structural impediments are the legacy of the housing boom and bust, and fiscal contrition at the state and local level."

He promoted moving foreclosures by giving incentives to military servicemembers.

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"My idea is to allocate certificates to 2.5 million service members who served in Afghanistan and Iraq that could be used as a down payment on a foreclosed home in the **Fannie** or **Freddie** portfolio," he said. This would help to absorb the inventory and stabilize the housing market.

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