

Housing Market Softening in Advance of Tax Credit Deadline: REAL Trends February 2010 Housing Report

JANUARY 2010 HOUSING SALES DECLINE FROM DECEMBER 2009 BUT REMAIN ABOVE SALES LEVEL IN JANUARY 2009. HOME PRICE TREND CONTINUES IMPROVEMENT WITH PRICES UP 7.9% FROM A YEAR AGO.

Report by REAL *Trends* shows housing recovery slowing in unit sales while prices climb in biggest monthly gain in nearly three years. Unit sales up 8.6% in January 2010 over January 2009 while average price of homes sold jumps 7.9% for largest year over year gain in nearly three years.

February 15, 2010 – Denver, CO - Existing home sales rose 8.6 percent across the nation in January 2010 compared to the same month in 2009, according to a monthly housing market report issued by REAL *Trends*. While sales were up over January 2009, they increase was lower than was recorded in December 2009 when sales units were up 17.1 percent over December 2008. The smaller gain shows that with the deadline for the homebuyer tax credits still three months away housing consumers feel little urgency to purchase at this time. The news that home prices rose 7.9 percent over a year ago shows that prices are, at the least, strengthening in most markets. Every region of the country showed gains in home sales with the Northeast leading for the second month in a row with an increase of 19.2 percent in units. The Midwest was next with unit sales up 9.6 percent over the same month a year ago.

On the price front, the average price of homes sold rose 18.6 percent in the Northeast its best showing since 2006. The South showed a decline in average sales price of 2.0 percent and was the only region that did not show a gain in average sales price.

The decline in January from the December unit sales rate was expected, as was the decline that was recorded from November 2009 to December 2009. When the tax credit deadline was extended from November 30, 2009, to April 30, 2010, homebuyers stayed on the sidelines hoping for lower prices. This trend will likely continue through February and into early March. Rising interest rates could also expedite housing sales as consumers move to lock in low rates. "While the results for January 2010 were down somewhat from December 2009, the fact that every region showed improvement in housing sales over the same month in 2009 indicates that housing is slowly but surely on the road to improvement. The fact that prices rose at the highest rate since the REAL *Trends* Housing Market Report has been following the market shows that at the very least housing's worst days are in the past," says Steve Murray, editor of REAL *Trends* and author of the REAL *Trends* Housing Market Report.

"When housing sales fell in December from the torrid pace in November, no one should have been surprised. The deadline for using the tax credit had an outsized impact on October and November results. January may well be showing what a real level of housing sales may resemble once the stimulation caused by the tax credit and Federal purchases of mortgage securities are past. Should that be the case, housing should level off later this year."

"As we said in the December 2009 report, we do expect that these results will weaken somewhat in the next few months because the first quarter is historically a slow period for home buying and the deadline for the homebuyer tax credit has been extended until April 30, which is when first-time homebuyers and eligible existing homeowners need to be under contract in order to qualify for the tax credit. However, it now appears that strengthening consumer demand for housing will offset the short-term softness. Other factors that may boost housing are the rise in mortgage rates over the past month [that's usually a signal for consumers to act] and the high rates of affordability that continue to exist in most markets."

"It's also recognized that the first quarter of 2009 was one of the worst quarters for housing sales so that the January 2010 results, while weaker than October-December 2009 unit increases, are better than many housing experts had predicted once the immediacy of the tax credit deadline was removed."

REAL Trends January/December Housing Market Report

(Versus same month a year ago)

	January 2009 Closed Sales	January 2009 Avg. Price	December 2009 Closed Sales	December 2009 Avg. Price
National	+8.6%	+7.9%	+17.1%	+0.6%
Regional Report				
Northeast	+19.2%	+18.6%	+29.8%	-1.3%
South	+3.5%	-2.0%	+15.1%	+0.9%
Midwest	+9.6%	+2.6%	+19.2%	+2.1%
West	+8.8%	+7.5%	+10.8%	+0.5%

