



News Release

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Real Estate Outlook: Positive Trends

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You might assume from the steady drumbeat of bad news about housing and real estate that there's nothing encouraging out there in the economy. But you'd be wrong. And you might just be missing some positives in the market equation that you could put to work for you. So amid the gloom and doom, here are a few examples of trends that are at least slightly hopeful ... and might even be helpful:

Number One: New mortgage applications nationwide jumped last week for the first time in more than a month, according to the Mortgage Bankers Association. New applications for loans to purchase houses -- a very important indicator of home buying in the months ahead-- were up by 1.4 percent on a seasonally-adjusted basis. But they rose by a surprising 14 and a half percent on an unadjusted basis -- that's the raw numbers last week compared with the week before. Why the sudden increase? Probably because 30-year fixed rates dropped by a third of a percentage point down to 5.98 percent from 6.27 percent the week before. Home shoppers have been watching mortgage rates bounce around for the last month -- sometimes getting as high as the mid 6 percent range. So when they saw rates plummet, they put in their loan applications -- and locked.

Number Two: You might smile at this, but the fact is this. The pending home sales index didn't decline last month as many economists had predicted after months of negative numbers. It just stayed flat. In a market that's been going negative, "flat" looks pretty good -- a sign that maybe -- just maybe -- two years plus of sales declines might be bottoming out, or could do so soon.

Number Three: The Federal Reserve is expected to keep turning the dial down on short-term interest rates -- whatever it takes to kick-start the U.S. economy back into growth mode. Look for another quarter point cut in rates next week -- and maybe more in the weeks ahead.

Now, we're the first to admit that these could be just bright, momentary specks in a real estate economy that otherwise looks pretty dark. But the cost of money is critically important to home buying ... and as long as rates stay low, at some point they intersect with declining home prices and consumers begin to say: "Hey! There are some attractive deals out there."

And they'll be right. And the market will have bottomed out, even though no one saw it coming because the rest of the economic news sounded so bad.

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