

## **Forecast Hopeful with First-Time Home Buyers Leading the Way**

Aided by the home buyer tax credit, the outlook for housing and the economy appears headed for a sustainable recovery, according to the National Association of Realtors® (N.A.R.). Lawrence Yun, N.A.R. chief economist, said the projections are enhanced by a tax credit expansion to more home buyers through the middle of 2010. "Given the success of the first-time buyer tax credit to date, and the need for qualified buyers to continue to absorb inventory that will include additional foreclosures over the coming year, we are hopeful about the impact of the expanded tax credit because it will stabilize home prices," he said. "In fact, the credit is working better than first projected. It now looks like we'll have 2.3 to 2.4 million first-time buyers this year."

The 2009 National N.A.R. Profile of Home Buyers and Sellers, released November 13, shows first-time buyers accounted for a record 47 percent share of home sales over the past year, up from 41 percent in the 2008 survey. The share has risen steadily since a cyclical low of 36 percent in 2006.

Existing-home sales are expected to total 5.01 million in 2009, a gain of 2.0 percent over last year, and then are forecast to rise 13.6 percent to 5.69 million in 2010. "A steady draw down of inventory will help home values to turn positive in 2010, but risks such as unemployment remain in the economy," Yun said.

New-home sales are projected at 397,000 this year, recovering to 549,000 in 2010. Housing starts, including multifamily units, should total 564,000 units this year but grow to 752,000 in 2010.

The 30-year fixed-rate mortgage will probably average 5.3 percent in the fourth quarter, rising gradually to 5.8 percent by the end of next year. N.A.R.'s housing affordability index will set a record in 2009, averaging 30 percentage points higher than 2008. Affordability will decline from record highs next year but will remain at historically attractive levels for home buyers.

"We've seen a steady downtrend in housing inventory for well over a year and home prices appears to be in the early stages of stabilizing. With expansion of the tax credit to additional buyers through the middle of next year, and no major unforeseen events impacting the economy, home prices should rise between 3 and 5 percent in 2010, but with wide geographic differences," Yun said.

He expects growth in the U.S. gross domestic product to be at a pace of 2.5 percent in the current quarter, with GDP up 2.8 percent in 2010.

The unemployment rate is close to peaking and is projected to ease to 9.5 percent by the end of next year.

“The size of the U.S. budget deficit is a concern going forward, and carries the risk of higher inflation. At this point, that risk appears to be restrained,” Yun said. Inflation, as measured by the Consumer Price Index, is seen contracting 0.4 percent this year, then rising 1.6 percent in 2010. Inflation-adjusted disposable personal income is estimated to grow 0.4 percent this year and 1.2 percent next year.

*Information from the National Association of REALTORS®.*

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