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Real Estate Trends For Realtors, Homeowners and Professionals
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Government Shrinkage

Not unexpectedly, the shrinkage of government will represent a major drag upon the economy during the next few years. This follows a period in which we experienced major economic stimulus from tax rebates, massive grants and the spending associated with two wars. State and local governments are facing huge deficits and one-by-one austerity plans are cutting jobs and programs or raising taxes. However, these deficits pale when compared to the shortfall the Federal government is facing. The President's proposed budget cuts and revenue enhancements run the gamut from small businesses to housing counseling programs. And that is just the first salvo. Congress has lined up hundreds of bills, many of which propose to cut much further.

Let's advance a couple of points here. First, with the economy entering a stronger recovery phase, to keep that momentum the economy must overcome a second significant factor besides housing -- the shrinkage of government. There is no choice. Lack of action would result in higher rates that would constrict the recovery even further. Think of the situation as the government getting out of the way so that the economy can expand after the government has helped business up to their feet during the fiscal crisis we experienced. Second, as severe as these cuts sound, they don't even represent a significant dent in the long-term deficit picture. That is because the vast majority of the budget can't be changed by simply cutting spending. Social Security, Medicare, interest on the debt and non-war defense spending, take up too large a percentage of the budget for these cuts to be effective. That means we must make some really hard choices, including raising revenue, in order to solve the problem. An immediate cut in spending is a necessary first step. We face a very important and difficult balancing act comprised of cutting and preserving the recovery...

Remodeling Coming Back

Remodeling may seem passé as the economy strives to recover from the crisis, but research findings along with insider's expectations show it is anything but. Far from a stagnant activity it is "poised for growth." That is the main finding of the latest report by the Joint Center for Housing Studies at Harvard University, which indicates growth after a double-digit decline that followed the 2007 peak of the industry.

...3.5% Average Increase

Research findings indicate that everyone from homeowners, investors, and real estate owned managers are ready to take action in the next few years. JCHS said remodeling expenditures could increase at an inflation-adjusted 3.5% average annual rate, which is lower than the pace seen during the housing boom, "but sharply recovering from the recent downturn." And as the industry starts to "return to a more typical pattern of growth," its main characteristics will also change. If in the past remodeling was driven by higher-end markets, going forward, demand in lower-end markets also will generate considerable demand. In the next five years, "the focus of remodeling spending will shift from upper-end discretionary projects to replacements and systems upgrades. *Source: NationalMortgageNews.com*

Selected Interest Rates

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30 Year Mortgages——5.00%
2010 High (April 8)—— 5.21%
2010 Low (Nov 11)—— 4.17%
15 Year Mortgages——4.27%
5/1 Hybrid ARMs——3.87%
1 Year Adjustables——3.39%
10 Year Treasuries——3.57%

Sources—Fed Reserve, Freddie Mac
Note: Average rates do not include fees and points. Information is provided for indicating trends only and should not be used for comparison purposes.

Is Now THE Time?

If you're into bottom-fishing, now may be the time to start trolling for real estate. At least that's the advice of Michael Corbett, author of *Before You Buy: The Homebuyer's Handbook for Today's Market.* "I'm pretty comfortable saying that five years from now, people are going to be saying, 'Damn, if I had just bought in 2011,' " said Corbett, who is also host of the "Mansions & Millionaires" segment on the syndicated TV show *Extra*. "Prices are bumping along the bottom and rates are really low," he said. "When you have those two together, you have the perfect buying opportunity." Housing prices may not have hit rock bottom, Corbett acknowledged. But he thinks that people who wait to find the market's bottom are likely to miss out on current low rates.

And rates can be every bit as important to the cost of a deal as price. You might think you can snag a great deal by lying in wait, hoping that the owner of a $500,000 listing will get desperate enough to accept $450,000. But if rates rise 1% during the time you wait, you'll end up shooting yourself in the foot. Assuming you finance $400,000 of the purchase price of that home, the 1% difference between a 5% and a 6% loan will cost you more than $90,000 over the life of a 30-year loan. "It's hard to tell where the bottom of a market is, until prices start going up," said Dianne Patton, a consumer real estate specialist with Coldwell Banker Real Estate. "But the stars are aligned for buyers right now." *Source: LATimes.com*

Did you know…

- *All-cash transactions accounted for 28% of home sales last year --double the rate of October 2008 -- reports the National Association of Realtors. Cash deals are gaining in popularity because buyers believe prices are at or near the bottom. Source: WSJ.com*
- *New home sales may bounce back this spring, and the rebound could last through at least 2012, predict several market watchers. For example, Fannie Mae projects gains of 18%. Source: BusinessWeek.com*

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