

The Economy Stokes Optimism

With the European debt crisis hanging over the markets, our politicians continuing to act like children and now the markets worrying about the regime change in North Korea, there seems to be no end to the scary headlines. Even if the news is not scary, the media is pumping up bad news. For example, recently, the National Association of Realtors adjusted home sales down for the past five years because they did not present accurate numbers. The headline? The recession caused worse real estate sales than we thought. The media seems to have lost the fact that existing home sales rose last month. New home starts were also surprisingly stronger, especially in the multi-family sector, and real estate for sale inventory is significantly lower than it was 12 months ago.

Through all of these negative headlines, the economic news is actually brightening our horizon. In the past several weeks we have experienced a precipitous drop in first time unemployment claims which is making analysts more optimistic regarding the prognosis for employment. Here is the point. The recovery is moving forward while worries overseas and in Washington are dampening our "public" enthusiasm. For example, the stock market has rallied significantly from the lows of October but despite this rally, interest rates are still at their historic lows and gas prices have not risen in the past several months. If the crisis in Europe were resolved and politicians were being cooperative, rates and gas prices would be going up based upon the positive economic news. We don't really care what the media "headlines" say. We care that these economic reports prod businesses to use some of the cash they are sitting on to pick up the pace of hiring. This is what we need for our current economic situation to continue to get better into the first quarter... □



Buy or Rent? New Numbers

Home prices and rates have fallen so far that the monthly cost of owning a home is more affordable than at any point in the past 15 years and is less expensive than renting in a growing number of cities.

Rents Up 4% This Year

The Wall Street Journal's third-quarter survey of housing-market conditions in 28 of the nation's largest metropolitan areas found that home values declined in all but five markets compared with the second quarter, according to data from Zillow Inc. Meanwhile, rent levels have risen briskly across the country and rates are the lowest in six decades.

As a result, monthly payments on the median priced home—including taxes and insurance—are lower than the average rent levels in 12 metro areas, according to data compiled for The Wall Street Journal by Marcus & Millichap, a real-estate brokerage that tracked 27 metro areas. "It's one of the most striking developments of the housing downturn," said Paul Dales, an economist at Capital Economics. "The initial building blocks for a recovery are in place. Home ownership is looking more affordable because after several years of declines, apartment rents will rise by around 4% this year and are poised to pick up even more momentum next year." ... □

Source: The Wall Street Journal

Hispanic Boom On Horizon

Minorities and immigrants will drive growth in housing demand in coming years, a new study reveals. Within the next 15 years, researchers say they expect this population segment to drive demand for condominiums, smaller starter homes, and first trade-up homes. Also, this growing demographic is expected to represent a rapidly growing segment of the middle and middle-upper markets for housing, finds a new report, "The State of Hispanic Homeownership," by the National Association of Hispanic Real Estate Professionals.

"The Latin boom has been forecasted for years but we are now seeing the front edge of it and it has the potential to help the nation's housing system get back on track if we can create a safe credit environment for new buyers to get into the market," says Carmen Mercado, NAHREP president.

Hispanics make up the largest minority group in the country and represent a significant portion of the 26 to 46 age group most involved in home sales. Plus, Hispanics tend to value home ownership more than other demographics. For example, according to a recent study, 57 percent of Hispanics say they consider owning a home a symbol of success compared to 33 percent of all Americans... □

Source: RISMedia

Did you know...

⇒ Foreigners looking to purchase homes in the U.S. are increasing their online search activity for bargains, as sliding home prices continue to attract investors from around the globe — especially Canada. Florida properties remained the lead attraction for foreign investment in the third quarter, followed by Arizona, Nevada and California, according to traffic on the website for Point2, a Canadian-based real estate marketing company... □

New Homes Inventory

(in months' supply)



Inventory rate of new homes fell slightly to 162,000 units available for sale in October.

Source: Bureau of the Census/HUD

Selected Interest Rates

December 22, 2011

30 Year Mortgages — 3.91%
 2011 High (Feb 10) — 5.05%
 2011 Low (Dec 22) — 3.91%
 15 Year Mortgages — 3.21%
 5/1 Hybrid ARMs — 2.85%
 1 Year Adjustables — 2.77%
 10 Year Treasuries — 1.97%

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.

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