

## What's in Store For Housing in 2012?

The worst for the housing market may finally be over, according to housing experts in a recent article in Kiplinger. After median home price have dropped nearly 40 percent nationwide, a rebound is taking shape — although, housing experts say, the market may stay flat for awhile before gradually ticking up.

According to housing experts in a recent Kiplinger article, here are some predictions for the real estate market in the coming year:

**Home prices stabilize:** Mark Zandi, chief economist at Moody's Analytics, predicts that home prices nationwide may still drop another 3 to 5 percent in 2012, but the new year will most likely finally bring a leveling off of home prices before gains start to take shape in 2013. When markets do begin to stabilize in the new year, "price appreciation tends to spread unevenly, creating a lot of confusion about where the recovery is occurring and when," David Stiff, chief economist at Fiserv Case-Shiller, told Kiplinger. "Even within a single city, more desirable neighborhoods will stabilize first, while prices in other neighborhoods may fall at a rapid pace."

**Housing affordability high:** Housing affordability — the ratio of median home prices to median family income — will likely remain at record levels in 2012. Homes in many cities are "substantially undervalued," the Kiplinger article notes. That may even lead to a mini bubble with double-digit spikes in prices, such as an increase of 10 to 15 percent in a given year in some markets, housing experts say.

**Low mortgage rates:** Helping to keep affordability high, low mortgage rates are expected to continue on in 2012 — at least the first part of the year, economists predict. The 30-year fixed-rate mortgage, the most popular among home buyers, has been hovering under a 4-percent average the past few weeks, staying in record low territory. Rates are expected to stay between 4 to 5 percent in 2012, predicts Guy Cecala, publisher of *Inside Mortgage Finance*, an industry publication.

**Sales increases:** The National Association of REALTORS<sup>®</sup> has already been showing a tick up in sales taking shape with increases in existing-home sales during the summer and early fall of 2011. High inventories of homes continue to flood the market but a drastic slowdown in new-home building the past three years is "gradually easing the surplus," the Kiplinger article notes.

**Foreclosures:** Foreclosures remain the problem and still plague many markets. After a slowdown with lenders processing the paperwork, foreclosures have began to pick up once again. About 1.84 million home loans are 90 days or more delinquent and 2.17 million have finished the foreclosure process but aren't up for sale yet, according to RealtyTrac data. Alex Villacorta, director of research and analytics at Clear Capital, told Kiplinger that he predicts regardless of the downward price pressure caused from foreclosures, overall home prices won't fall as long as lenders bring additional foreclosures to the housing market at a steady pace.

Source: "What's Ahead for Home Prices in 2012," Kiplinger (January 2012)