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LONG, HOT REAL ESTATE SUMMER!

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SUMMER? - Well, it may be rushing it a bit but the excitement is still here. The last issue predicted the return of real estate values and that it had been addressed here for several months. Well, finally the indicators are proving it right. The indicators are showing the proof and the media is finally getting on board. Yes, ladies and gentlemen there is some hype, but that's what it takes. The public is in a media induced trance and has been for years for all major occurrences. In this case it is a good thing. The tone has needed changing as discussed in our last issue. Positive twists on housing has been needed and with albeit whimpers, the word is out, housing is coming back!

Some analysts predict that the rise is now. It is anticipated that the second half of 2012 will see a 1% increase; in 2013 prices will rise by 1.5% and then another 2.5 % in 2014. There are a myriad of opinions on this issue but finally all seem to be recognizing that housing prices have more than likely bottomed; and, the proverbial saying is "what goes up, must go down" and obviously visa versa. So, the up time is just beginning.

To foster that movement mortgage rates dropped to 3.62% this week the lowest in more years than we can count or want to count. The CEO of the Ebby Halliday Companies, the 11th largest realty service company in the U. S. which includes title work, sales, leasing and mortgaging has sent out notice to the company's 1,500 employees that now is the time to buy real estate. Yes, it is certainly self serving but it is in my opinion good advice. The naysayer will argue that housing prices have not hit bottom so who in their right minds would buy now. Well, *ye of little faith,* those who realize that whether it's bottomed out now or not it is nearly as low as it may get and the inventory is there and the selling attitude is favorable for a good deal. THAT'S WHO!!!

The areas already experiencing strong growth in sales are those areas hardest hit by the housing slide, Phoenix, Miami, Sacramento and the like. And, as they were the ones hardest and quickest hit they are returning first. The rest of the country will return in like. So, waiting is not the answer. Get it while it's hot.

(CON'T) More good news is the banks are seeing an increase in mortgages. Wells Fargo saw a $9 billion increase in mortgages during the 1st quarter of this year. Both they and BoA have stated they are beefing up their departments as they intend to competitively attract buyers. They don't do this because they want the public to feel warm and fuzzy about them. They do it for dollars. If they can refine their short sale positions and make deals to keep people in their houses, that will lessen future inventory which will compete with market value sales. Hopefully, some of the executives at these huge lending institutions are bright enough to see this and act quickly. Just as the problem was their fault and theirs alone, the recovery is equally in their hands. Hope for the best from them.

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Yesterday, the S&P/Case-Shiller Home Price Indices showed that the non-seasonally adjusted March 10- and 20-City Composite declined 2.8% and 2.6% on a year-over-year basis, which as demonstrated below was fairly well supported by Zillow's forecast. However on a seasonally adjusted monthly basis, both the 10- and 20-City Composites rose 0.1% from February to March. The table below reflects the tight alignment of the two recognized sources.

Note the growth for the 20-city composite Month-Over-Month. This is the indication that there is growth. The April numbers are similar indicating this is the second month in a row which reflect Case-Shiller composites indicating monthly appreciation on a seasonally adjusted basis. And, it also shows this is also the smallest annual rate of decline for each composite since early 2011. Zillow's April data, released last week show the largest monthly home value gain since January 2006. Clearly, the Spring selling season is picking-up and has not been derailed by endless negative data as it has in the past two years.

Index	Zillow Forecast, Released 5/25/12	Actual Case-Shiller Indices, Released 5/29/12	Median Absolute Error (%)*
10-City Composite, Month-Over-Month (SA)	0.3%	0.1%	0.2%
10-City Composite, Year-Over-Year (NSA)	-2.7%	-2.8%	0.2%
20-City Composite, Month-Over-Month (SA)	0.3%	0.1%	0.2%
20-City Composite, Year-Over-Year (NSA)	-2.6%	-2.6%	0.1%

**Calculation of Median Absolute Error (MAE) incorporates Case-Shiller Indices forecasted by Zillow from May 2011 to March 2012 for the year-over-year numbers and June 2011 to March 2012 for the month-over-month numbers.*

Again, we must remember that all this is national averages and that individual locales have and will experience varying trends, both up and down. But we must bear in mind that there is a demonstrative trend for the upswing of real estate values. There are still many foreclosures to come which will hamper the sale of housing at true Market Values until that inventory is exhausted. However, there is a pent up demand for home purchasing and as the public extinguishes its fears over the economic turmoil we have endured, that demand will be just that, pent up. We must keep an eye on the hot spots like San Francisco which is experiencing an incredible real estate value growth and one of the most active real estate markets ever. Southern Florida is rebounding as we speak. An acquaintance who is a real estate appraiser says they can't keep up with the demand.

MOST AFFORDABLE U.S. FOR HOUSING- The latest reports show that half of the affordable cities are in the central part of the U. S.

Indianapolis– median home price of $102,000

Dayton, Ohio– median home price of $81,000

Grand Rapids, Mich– median home price of $100,000

Ogden, Utah– median home price of $166,000

Akron, Ohio– median home price of $96,000

Lakeland, Fla– median home price of $85,000

Modesto, Calif– median home price of $127,000

Buffalo, NY– median home price of $94,000

Syracuse, NY– median home price of $106,000

Cincinnati, Ohio– median home price of $110,000

The average home price for the U. S. is $164,500 which clearly reflects that all but one of the above have excellent housing opportunities; and, that is what it is. Each has been affected by a substantial downturn in the marketplaces for housing do to economic conditions (i.e., plant closings and the like). But there is a return to purchasing. One cannot justify the new growth with cheers that housing is much more affordable which is provided on the sad fact that hard working honest people had to lose these houses in order to result in the recovery. "One man's loss, is another man's gain." just doesn't cut it with me. We should all hope that all these people have another shot at owning their own homes. BoA is now trying to urge those who lost their homes to rent them from the bank. I haven't seen the program but if it doesn't have an incentive in dollars for the re-purchase, the program may not work. You have to let people feel as if they still own those homes. They need to want to care for it and improve it. Any improvements should be a credit toward the re-purchase. Some states have the deeds in escrow till the mortgage is paid. Maybe that's the answer. Let's see.