



ALTERA

REAL ESTATE



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REBOUND OF THE HOUSING MARKET

While home sales may finally be bottoming out many economists and industry analysts expect home prices to continue to drop through mid-2010. Market bulls say home prices will stabilize in the second half of 2010 while the bears warn the trough could last until 2013.

What is restraining housing?

Over the next 18-24 months \$billions on option ARMs and Alt-A mortgages are slated to reset.

Rising unemployment, which is expected to top 10.0%, is causing a surge in the number of prime mortgages entering default.

These factors are expected to trigger another round of foreclosures and cause home prices to further decline.

Lawrence Yen, chief economist at NAR, says housing losses reached \$3.6 trillion at the end of 2008 and he predicts it will likely approach \$5 trillion before the turn.

"We are at or near the bottom in terms of sales--We are seeing strong buying activity, particularly in those boom and bust markets, where prices have declined significantly. Buyers are coming in fighting over properties--there is multiple bidding in California and Florida," says Yen.

Elliot Eisenberg, economist with the NAHB says "Sales are the first indicator" of a bottom. Sales are going up, "Even though there's more pain to come in certain markets and the prices may go down further and there's more defaults ahead--There's still pain to come in parts of Florida, California and Michigan, where there's still a tremendous amount of oversupply--Prices will have to come down further and it will take a while to burn off the excess inventory that's floating around there," according to Eisenberg.

Yen attributes about 50% of current sales involves distressed properties. Approximately 2 million homes were in foreclosure in 2008, and he expects this number to top 2.5 million in 2009.

At the end of 1Q09 one of every eight US homeowners was either late or in the foreclosure process, according to Jay Brinkmann, economist with the MBA, with prime mortgage defaults accounting 50% of the increase in foreclosures in first quarter. Brinkmann sees prices start to recover in 2011.

Key Economic Reports Released This Week

RELEASE DATE	ECONOMIC INDICATORS	RELEASED BY	CONSENSUS	Wt.	INFLUENCE ON INTEREST RATES
Mon 07/06 8:30	ISM (NAPM) Index <i>for June '09</i>	National Association of Purchasing Mgt.	46.0%	**	▲ If above consensus ▼ If below consensus
Mon 07/06 1:00 pm et	Weekly Bill Auction	Dept. of the Treasury	N/A	**	▼ If strong demand ▲ If weak demand
Tue 07/07 1:00 pm et	3-Year Note Auction	Dept. of the Treasury	\$46.0B offering	**	▼ If strong demand ▲ If weak demand
Wed 07/08 7:00 am et	MBA Mtg Apps Survey <i>for week ending 07/02</i>	Mortgage Bankers Association of America	N/A	*	Undetermined
Wed 07/08 1:00 pm et	10-Year Note Auction	Dept. of the Treasury	\$19.0B offering	**	▼ If strong demand ▲ If weak demand
Wed 07/08 3:00 pm et	Consumer Credit <i>for May '09</i>	Federal Reserve Board	-\$7.0B	*	▲ If above consensus ▼ If below consensus
Thu 07/09 8:30 am et	Jobless Claims <i>for week ending 07/03</i>	Bur. of Labor Statistics Department of Labor	615K	*	▼ If above consensus ▲ If below consensus
Thu 07/09 10:00 am et	Wholesale Trade <i>for May '09</i>	Bureau of the Census Dept. of Commerce	-1.0%	**	Undetermined
Fri 07/10 8:30 am et	Import & Export Prices <i>for June '09</i>	Bur. of Labor Statistics Department of Labor	ImPrice 2.0%	*	▲ If above consensus ▼ If below consensus
Fri 07/10 8:30 am et	International Trade <i>for May '09</i>	Bureau of the Census Dept. of Commerce	-\$30.2B	**	▼ If above consensus ▲ If below consensus
Fri 07/10 10:00 am et	Consumer Sentiment <i>for June '09</i>	University of Michigan	71.0	*	▲ If above consensus ▼ If below consensus

* Low Importance ** Moderate Importance *** Important **** Very Important