

Real Estate Outlook: Obama Effect

by Kenneth R. Harney

Will there be an "Obama effect" on the housing and real estate markets? Barely days after his inauguration, it's obviously premature to make any forecasts.

But there's a case to be made that a quickly-enacted economic stimulus package, continued rock-bottom mortgage interest rates, low inflation and improving consumer sentiment could begin to have that effect -- at least in small measure.

For example, the bellwether poll of consumer confidence -- conducted by the University of Michigan -- has just come out and it found consumer sentiment up by two percent in January over December. The component of the index that's based on "expectations" -- do you expect the economy will start improving? -- was up by three percent.

Now you can argue that January's bounce had nothing to do with the arrival of a new president and economic team in Washington, and was barely a notch over December's number. But the fact is: the arrow pointed up not down. Given the country's high expectations about the new administration, documented in every major poll on the subject, higher consumer confidence shouldn't be all that surprising.

Also, the massive economic relief package coming from Capitol Hill within weeks is virtually guaranteed to create jobs, and put more money into millions of households' pockets through tax breaks. You can argue that the stimulus package cannot possibly work its magic quickly enough to alter the course of the recession.

That's debatable and the full story won't be known for a year or more. But for housing, there's no question that a tax credit with teeth, nonrepayable and with a use-it-or-lose-it deadline, can only spur additional sales, maybe several hundred thousand over the course of the coming 12 months, according to some housing group estimates.

Meanwhile mortgage rates remain under five percent -- at least for applicants with solid credit and a downpayment. Inflation is close to zero: the CPI urban index dropped by seven tenths of a percent in December, and the energy index was down by eight point three percent.

Finally, the latest data from southern California --the epicenter of boom and bust -- confirms that market by market, there are signs of rising home sales as affordability improves. According to MDA DataQuick, southern California sales last month were up by fifty point five percent over a year earlier. The flip side of that improvement: prices were down thirty-four point six percent.

Doomsayers may not be impressed by sales turnarounds, but anyone who sells -- or buys real estate and is looking for a great price -- can't afford to ignore positive signs.

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