



From the desk of
William C. Ring, President

Real Estate Newsletter

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Ronald Reagan
1911-2004



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A View From The Bottom...

Celia Chen of Economy.com delivers some of the most insightful and accurate observations in the industry. Recently she published her commentary, "Housing in Crisis: A Bottom Comes Into View", in which she highlighted some interesting observations and predictions:

- "The worst housing downturn in memory will stabilize by the end of the year.
- The severe correction has helped to rebalance many of the excesses that built up earlier in the decade.
- Although economic conditions are dark, swift and strong policy action will help end the correction.
- The subsequent recovery in housing markets will be weak."

The main theme is that the U.S. housing market has gone from bad to worse and dragged the broader economy into a serious downturn. Washington has not yet been able to break the downward spiral. But key to her prediction is that President Obama and the new Congress will quickly act to stimulate the economy and to mitigate mortgage foreclosures.

What is the evidence of a bottom? "Prices are coming back to earth", says Ms. Chen. This is evidenced by many of the pricing excesses of recent years having corrected, noting that housing prices have fallen in about 70% of all metro areas, according to Fiserv's Case-Shiller home price index.

"Counting on help – thus, notwithstanding the intensifying economic gloom, the bottom of the nation's housing downturn is coming into view. This outlook assumes stronger action by policymakers. Even with further government intervention, the recession will keep the housing market from fully recovering until the end of 2009. But with such help, sales are likely at the bottom, stabilized by foreclosures. Construction will hit bottom in the first half of this year, although the pace of housing starts will remain depressed until 2011. The national Chase-Shiller house price index will stabilize by year end. From peak to trough, Moody's Economy.com expects that total single family home sales will have declined by 40% and housing starts by 70%."

"...if the government is unable to implement an effective plan, the housing market could weaken further. In our worst case scenario, depreciation in house prices would continue and deepen for a total 45% peak-to-trough decline.

WASHINGTON, ARE YOU LISTENING???

Please contact me anytime regarding your real estate needs or questions; commercial or residential. And, remember that the highest compliment I, or anyone, can receive is the referral of my name to your family, friends, and business associates. Thank you for your trust.

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