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Good, or at least the housing mar

January 24, 2012 | By Alan J. Hea

David H. Stevens, president of the Mortgage Bankers Association, recently paraphrased Thomas Jefferson in assessing the housing market: It's "swimming with the current rather than standing like a rock," and what is needed now is "rock-like certainty."

Conditions in the market are fluid. Still, there are growing signs that it may finally be stabilizing, or at least not deteriorating.

Observers anticipate a new wave of foreclosures after the processing delays created by the robo-signing scandal are cleared up, which could tamp down prices even more. But an expected settlement on robo-signing issues between the nation's largest banks and the states could help one million Americans nationwide lower their mortgage payments and hold onto their houses.

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Locally, there are positive signs, too. The eight-county Philadelphia region, measured by sales of previously owned houses as recorded by the Multiple Listing Service-based Prudential Fox & Roach HomeExpert Market Report, showed modest sales increases in the fourth quarter of 2011.

In December, 3,280 houses sold in the eight counties; 3,118 sold in November, and 3,022 in October, the data show. The numbers for December and November were an improvement over the same months in 2008, just after the stock market collapsed.

Moreover, those fourth-quarter 2011 sales were not dependent on government intervention like the \$8,000 homebuyer tax credit that propped up sales in 2009, then left the real estate market hanging for months after it went away.

Economist Kevin Gillen, vice president at Econsult Corp. in Philadelphia, says he expects a bottom likely will be reached in mid-2012, after further modest deflation.

"However, I would not expect a typical robust recovery to ensue," he said. "Inventories remain too high, and the economy remains too sluggish."

The market for newly built homes has been almost comatose since the real estate bubble burst more than five years ago, stymied by tight credit for construction and a glut of cut-rate foreclosures in the Sunbelt and Midwest. Single-family home starts and building permits - key to the health of the residential-construction industry - fell to record lows in 2011, the Census Bureau reported Thursday, though starts in December were up 4.4 percent over November.

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But building permits are a more forward-looking indicator than starts, economists say, and those for single-family and multifamily construction, while lower in December than in November, have been on the rise for several months. Single-family permits hit a 12-month high in December.

"This year should be a better one for housing than 2011," said economist Patrick Newport, of IHS Global Insight in Lexington, Mass. "Pent-up demand for housing is building as young adults stay at home, and at some point will spark a revival in housing activity."

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That revival will begin in the multifamily segment and spread to the single-family market, Newport said.

In past economic downturns, a resurgent housing market has led the recovery, creating jobs, income and spending. This time around, however, housing - and the questionable methods used to finance the purchase of the millions of houses now or already through the foreclosure process - led to the downturn and has probably prolonged it, observers say.

Joel L. Naroff, of Naroff Economic Advisors in Holland, Bucks County, considers the weak housing market the biggest restraint on the nation's economic growth. But he noted that 2011's worst numbers came in the first half of the year.

"At least the pace [of construction] has begun to quicken," Naroff said. "The stars seem to aligning for the home-construction sector to improve at a faster pace this year."

Even without seeing the official numbers, home builders shed some of their years-old gloomy outlook in January, with an index that measures confidence reaching its highest level since June 2007.

"This emerging trend is allowing builders to put more crews back to work," National Association of Homebuilders chairman Bob Nielsen said.

Yet caution remains the word of the day, Nielsen said, as builders express concerns about prospective buyers being able to qualify for affordable mortgages, appraisals coming through below construction costs, and a continuing flow of foreclosed properties hitting the market.

There is some indication credit may be easing, which would benefit sales of both previously owned and new homes: Mortgage originations rose 23.1 percent last week, the Mortgage Bankers Association reported Wednesday; the 30-year fixed rate fell to 3.88 percent Thursday, and there is some renewed interest in adjustable rates, especially the 5/1 hybrid, which offers a rate 1 percentage point lower than the 30-year fixed.

Even the remodeling industry is gearing up for a better year, with a measure used by the Joint Center for Housing Studies at Harvard University showing home improvement trending up in 2012.

An index that measures architectural billings also has been rising in recent months, the American Institute of Architects reported last week.

"We're beginning to see some hopeful signs in the economy, and the housing market is finally starting its slow recovery," said Eric S. Belsky, managing director of Harvard's Joint Center. "That should prove

helpful for home-improvement spending as the year progresses."

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