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(Translated from German)

EXPENSIVE TAX CUTS

U.S. Housing Market Not Yet Bottomed Out



Many people in the U.S. cannot pay their installments, & more need to sell their houses. Finding a potential buyer is often not easy.

The U.S. economy is growing again, but the real estate market, which was partly responsible for the crisis, weakens further.

Todd put his house in the upper middle class neighborhood of San Antonio, Texas up for sale five months ago – with a markup of only 5%. But so far he has not received a single offer. "I'm shocked," he says. "The economic situation here is relatively good, and my first two houses on the East Coast sold some years ago in record time."

The U.S. economy has been growing again in the third quarter after a year of recession, but the mixed signals in the housing market, in spite of fallen house prices, low mortgage rates and a statutory tax, continue. For example, according to the latest data released on Wednesday, sales of single-family houses in October rose unexpectedly, but it was only the southern part of the United States that was responsible. In other regions, sales fell. The median house price in the U.S. fell in October by about 5% to \$212,200.

Prices continue to fall

Experts expect that prices will continue to fall and that only in 2010, some might even say that only in 2011, the trough will be reached. "The market is more likely to become weaker before it picks up again," says Elaine Worzala, housing expert at Clemson University. "Real estate trends depend on the labor market, and until it calms down, there is very little to fundamentally improve."

A popular tax credit over the summer for first time buyers up to \$8000 mainly stimulated lower and mid-priced sales and sparked hope of a turnaround. It was extended until mid-2010 and expanded to people with incomes of up to \$125,000 per year. To give the

housing market a further boost of vitamins, it now allows homeowners who have already lived in their residence for five years to take a credit of \$6500.

Ten billion dollar cost

Critics complain about the estimated cost of \$10 billion for these measures. But proponents argue that the program could reach more average citizens. "Many families, whose children have left the house, want to take smaller and cheaper houses," said Fran, who lives in Missouri. "Most Americans cannot at present afford to simply move in order to improve their living status."

Khashy Eyn, president of the New York housing brokerage Platinum Properties, says that extending the tax credit could contribute to a "much faster" market recovery. But many experts warn that the aid distorts the true state of the housing sector. "If the market returns to a natural supply and demand, we will find out the true status," says Miller Tabak + Co. strategist Peter Boockvar.

Different Trends

With house prices and foreclosures, according to experts, different trends are to be observed. The often noted S&P/Case-Shiller Index reported that house prices in 20 cities measured a growth of 3% in September. That means sale prices were up for a consecutive four months. However, house prices continue to fall compared to the same period last year. As to foreclosures, according to online database RealtyTrac, in the third quarter there were for some cities a sign of a recovery of the sub-prime crisis. Foreclosure auctions have expanded into new cities. In Reno, Nevada, the number rose by 80 percent over the previous year. RealtyTrac CEO James Saccacio explains: "High unemployment and risky mortgages that are more exotic than subprime loans are driving the flood of foreclosure in more cities." (Georg Szalai in New York, DER STANDARD, Print edition, 28.11.2009)