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Realtors lift 2008 housing forecast

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WASHINGTON — Bucking conventional wisdom, a trade group for real estate agents on Monday said the battered housing market is on the verge of stabilizing and inched-up its outlook for 2007 and 2008 home sales.

The revised monthly forecast from the National Association of Realtors, which followed nine straight months of downward revisions, calls for U.S. existing home sales to fall 12.5 percent this year to 5.67 million — the lowest level since 2002. Last month, the association predicted 5.66 million existing homes would be sold this year.

The Realtors' group also forecast sales will rise slightly in 2008 to 5.7 million, up from last month's prediction of 5.69 million.

Numerous other economists, however, are far less optimistic than the trade group. They predict weak sales and falling prices through next year and beyond and emphasize that those problems could worsen if the economy sinks into a recession.

Mark Zandi, chief economist at Moody's Economy.com, predicted at a housing forum last week that, if the economy slips into recession or if efforts to prevent foreclosures don't pick up substantially, the housing market downturn could last through the end of the decade.

The trade group's chief economist, Lawrence Yun, cited job growth and the replacement of subprime lenders to borrowers with weak credit with government-backed loans as reasons for the improved outlook.

"Despite over-exaggerated negative coverage on the housing conditions, many local markets are actually seeing price increases," Yun said at a press briefing. "Mortgage availability is improving"

The trade group also said its index that forecasts near-term home sales inched upward in October. The trade group's seasonally adjusted index of pending sales for existing homes rose 0.6 percent to 87.2 from an upwardly revised September index of 86.7, but was down 18.4 percent from a year ago — the third-largest year-over year decline on record.

The Realtors group also said the median price for U.S. existing homes — the point at which half sold for more and half for less — will sink by 1.9 percent to $217,600 this year and rise 0.3 percent next year to $218,300.

If median prices fall this year, it will be the first price decline in the nearly 40 years that the trade group has tracked that data.

Other ways to measure national housing prices, such as the S&P/Case-Shiller index, have already shown price declines.

A government index of national home prices in the fourth quarter marked a quarterly decline for the first time in 13 years in the third quarter.

Home prices dipped 0.4 percent nationwide in the July-September period, compared with the previous quarter, the Office of Federal Housing Enterprise Oversight said last month, citing weakening prices in much of the country.

Compared with the third quarter of 2006, U.S home prices posted an increase of 1.8 percent, but it was the smallest year-over-year increase since 1995, according to the agency, which oversees the big mortgage-finance companies Fannie Mae and Freddie Mac.