

EYE ON WILLIAMSON

OPINIONS AND VIEWS OF OUR READERS

Have we hit bottom of housing slump? Evidence suggests yes

By Phillip Cantrell

The only way to even partially predict what is to come in the housing market is by looking at historical data and attempting to identify the trends.

The events surrounding historical trends some-



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times closely match current events and even I can say, "Hey, that's what is happening now."

Such is the case with current trends in real estate. Historically, there have been several factors readily identifiable with the "bottom" of a housing market. Many of those factors are present today.

For example: low interest rates. The Fed has been buying treasuries over the past couple of years in an effort to hold down interest rates. This has worked in the short term, but over the longer term, it will eventually have to stop this

process and allow free-market equilibrium to return because it simply doesn't have the funds to keep going. In the meantime, mortgage rates are lower than they have been at any time since 1963. That's 47 years, people! Now is an excellent time to take advantage of this "calm before the storm" and use it to your advantage by making your move.

Another historical trend that is evident is the decline in home prices. In Williamson County, the median home price in January was 14.4 percent below the same time last year, and 22.8 percent below the peak of the market in late 2006. That's a pretty big drop, but it actually represents an improvement over the lowest point last year when median price was off the peak of 2006 by 25.9 percent. In hard-dollar terms, the median home price in Williamson County was off \$104,700 from that same peak in November 2006. That's a huge drop, any way you slice it. Of course, these percentages of decline were unevenly

spread across the pricing sector, with the more-expensive homes taking the bigger hit. What we are beginning to see though is that prices are approaching what I call a "stumbling" recovery. They'll be up 3 months and down one. We'll have a few missteps along the way, but overall, the trend is upward.

The biggest trend I see that bodes well for the buyer is the huge amount of inventory on the market. Last month there were 13,414 single-family houses available in the Greater Nashville area. This number should be about 9,500 units. Hence, the downward pressure on prices. As this number begins to decline, the downward price pressure will decline as well. Believe it or not for those who have good credit and documentable income, there are still some excellent loan programs out there. As I write this, FHA is still offering programs with as little as 3.5 percent down. This is about to change though, so if you qualify, you need to get on it. Given the rapidly changing mortgage under-

writing requirements, tomorrow is a new day, and who knows what new requirements these folks will come up with next. The universal approach with today's underwriter seems to be to play a never-ending game of "cover your assets" as much as possible. All the big lenders are worried that the loan they write today won't be marketable in the secondary market tomorrow. The bottom line is that as FHA goes, so goes the entire mortgage world. They are rapidly moving toward higher down payment requirements while decreasing seller contribution amounts. As a buyer, all this will increase your cost by waiting.

Finally, the most popular tax credits in history are still available to qualified buyers. If you are a first-time buyer or haven't owned a home in three years, the government will give you a tax credit of \$8,000. If you don't owe that much in taxes, you get a big, fat government check. Likewise, if you have lived in your home for five years or more and move up, you proba-

bly qualify for a \$6,500 tax credit. This still seems kind of backward to me since there is a finite number of first-time homebuyers in any given year, and an almost infinite number of move-up buyers. But what do I know? Regardless it all amounts to the government passing out free money. Why wouldn't you take advantage of this if it is available to you?

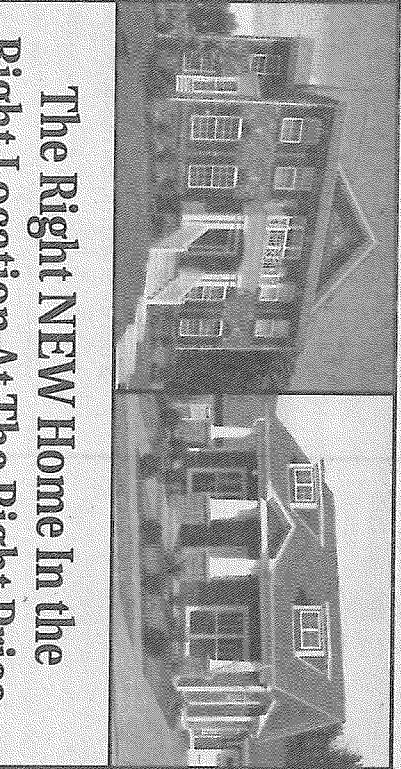
To sum it all up, this may be the best time in history to buy a home. However, as with all good things, this, too, will soon come to an end. As the government disengages from the treasury market and discontinues the incentives (due to end in April), equilibrium of the free market will begin to return and the window of opportunity will begin to close. Mortgage rates will rise, inventory will decline and prices will increase.

In case you don't know what it looks like, this is the bottom of the market. Phillip Cantrell is principal broker with Benchmark Realty in Brentwood. Contact him via philip@philipcantrell.com.

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