

# The Kiplinger Letter

FORECASTS FOR MANAGEMENT DECISIONMAKING

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## HOUSING

There's still a long way to go before the housing market turns around.

Recent encouraging signs...a modest upturn in sales of existing homes and a tiny increase in the number of potential buyers checking out new-home sales... are being swamped by negative news, signaling that more bleak times lie ahead.

After acting as a drag on the rest of the economy in 2007 and 2008...

The housing sector is now being pulled down by weaknesses elsewhere.

Rising unemployment is shrinking the pool of buyers and hiking the number of foreclosures. Even folks who can get loans are watching home deals fall apart, finding there aren't any buyers for their current homes.

That's worsening an already sour situation:

A third of home loan borrowers are still underwater, owing more on mortgages than their homes are worth. Up to 8 million foreclosures between Jan. 1, 2009, and year-end 2012. Most will be nonprime loans... there are as many as 23 million of them outstanding.

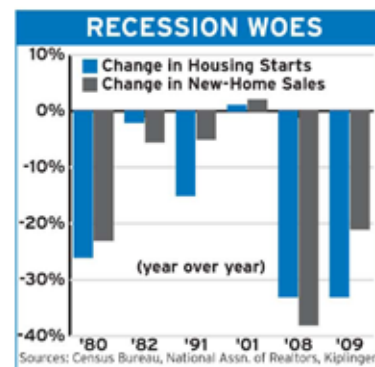
So, for home sales and housing starts...

No bottom until the second half of the year.

Look for construction numbers to slip by another third this year, to about 600,000. New-home sales...often pinched by distress sales in the same subdivision...are headed toward just 380,000 this year, down about 21% after a sharp 38% drop last year.

Prices will slide longer, till year-end or so on a national average basis.

We expect another 10% decline in 2009...the same as last year...with the biggest drops likely in the same already hard-hit areas: California, Arizona, Florida and Nevada.



Yours very truly,

*Knight Kiplinger*

THE KIPLINGER WASHINGTON EDITORS

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