

Housing outlook is more upbeat

Experts forecast a turnaround is near

By Julie Schmit
USA TODAY

Optimism is building that the housing industry is nearing a bottom — finally.

Home sales and home building are forecast to rise this year after sliding steeply the past five years in housing's worst downturn since the Great Depression.

Recovery is expected to be slow, and home prices are widely expected to fall this year. But investors are betting on the start of an upturn, bidding up home builder stocks and causing them to outperform the broader stock market.

Chief executives are more positive. JPMorgan Chase's Jamie Dimon said last week that housing is near its bottom but could stay there a year. Stuart Miller, CEO of home builder Lennar, said the market has started to stabilize because of low prices and record low interest rates.

Market researcher RBC Capital Markets has

More room to fall

Annual percentage change in U.S. average prices for single-family homes:



By Kari Gettes, USA TODAY

also turned from a "bearish" view on housing to saying that 2012 "will mark a step in the right direction."

Many economists expect home prices to fall more this year because of foreclosures and other properties sold at very low prices.

As foreclosures pick up this year, "prices will drop," says Stan Humphries, Zillow chief economist. He says home prices won't bottom until later in 2012 or next year.

On average, prices have fallen by about a third since 2006.

"This year will feel a lot better to builders, investors and real estate agents than to consumers," says Jed Kolko, economist for real

estate website Trulia.

Housing's outlook is brightening with signs of a better economy. Last month, U.S. employers added 200,000 jobs, and the unemployment rate fell to 8.5%, lowest in nearly three years.

While an economic shock could derail progress, "there's now more evidence of improvement in the economy, and housing will follow the economy," says David Crowe, chief economist with the National Association of Home Builders. More improvement is expected for:

► **Sales.** Existing home sales will rise 12% this year after a 2% increase last year, and new home sales, coming off a bad year, will jump 74% this year, Moody's Analytics predicts.

November's existing home sales hit their highest mark in 10 months, and new home sales were the year's second-best, IHS Global Insight says.

► **Construction.** Single-family housing starts will rise 37% this year, Moody's predicts, after falling 9% last year.

Home builder stocks are on a run. The S&P 1500 home building index is up 38% since mid-October, vs. 7% for the S&P 500.