

Real Estate is three things:

- **Cyclical**
- **Seasonal**
- **Emotional**

**Cyclical Cycles** run about 15 years in length with the current cycle beginning in late 2006. We can track the beginning of this down cycle to the last down cycle from 1989-1991 and we have heard thousands of comments on this. When the cyclical adjustment occurs it is an adjustment to the underlying structural issues in the market. For this real estate cycle, the structural problem is comprised of two elements:

**A. Influx of new home buyers (former renters) who received mortgages through non-standard financing. That is the emergence of No Asset, No Docs, Interest Only Mortgages at 125% of Value programs. We all know the affect these had on the market.**

**B. Excessive over development which created [5 million vacant housing units](#) not supported by population demand. The [existing oversupply issue](#) will take at least two, if not three more years to be absorbed and new housing starts will remain below 800,000 units in 2010 and 1 million in 2011.**

**Seasonal Changes** occur every year and follow a fairly consistent pattern. [The news today](#) and for the next several months is a result of seasonal changes, not necessarily structural ones. The spring and summer selling season always show the top values in any market, and the fall and winter show the bottom. This is one of the prime effects of the recent crash; it began in late 2006 and early 2007, but did not pick up speed until late 2008. By that time, the snow ball going down the hill was an avalanche and the population and financial system reacted accordingly: **they ran!** The actual correction or rebound in housing will not show signs until the beginning of the spring 2010 selling season.

**Emotional changes** are best described by many of the commentaries in the *Iacono post*. Because we lack so much important data on the real estate markets, such as the [sales price per square foot](#) which the rest of the industrialized world uses and because of our own ignorance or arrogance (we all know the answer) our emotions take control. Fear of the unknown is the worst element of any financial market. That is what we've experienced for the past nine months.

What creates fear is the lack of information. In real estate, we always are reporting on the past and trying to guess the future. Utilization of more quantitative data will permit us to evaluate data more accurately and track the markets in an efficient manner.

How many of the commentators and authors have the actual data?  
How many are relying on other data sources to build their articles?

Accuriz.com has the actual sales and inventory data from over 300 assessment offices covering 40 million properties in the top 100 MSA's. We also reference Census, Commerce and Labor for their data and economic forecasts.

So I finish with this, the Free Market must develop an independent solution to track and predict the real estate market, or we will all be talking about this again in 15 years.