

Real Estate Mania: Coming to a City Near You!!!

Main Event: Bears vs. Bulls- The Housing Market Bottom Match

[Real estate is Seasonal, Cyclical and Emotional](#), and the emotions are running wild at the moment. Home prices are up, sales are increasing and the reports are presenting “good news”.

The “mania” of real estate predicting and forecasting is beginning to pick up as the summer selling season comes to an end, with hints of promise starting to appear in the housing market. After a grueling Housing Bust that left the economy severely damaged, property data analysis statistics collected from public records now show signs of recovery.

Both the Bears and Bulls have been fighting it out, relying on the training method of the S&P/Case-Shiller Home Price Index. The Bulls are starting to swing away, indicating a sign to the return of the boom days of old. The Bears are ducking the punches citing the lagging, inadequate property data analysis in the Case-Shiller Index as a sign of caution.

The stage for the Housing Market Bottom Showdown is set, with the American public’s perception of the market at stake. Leaning too far to one side could mean a repeat of the 2006 Bust. Are we to believe that we are on the verge of a turnaround, or do we still need to be patient? We will take a look at the supporting arguments from both corners, which are based on the Case-Shiller Index and determine the best judgment for the public moving into the winter months. Here’s the tale of the tape.

[Home Prices on the Upswing from CNNMoney.com:](#)

Packed with quotes of “positive signs” “great news” and “booming” about the Index, the optimism is rampant. It goes on to say that an area in Los Angeles had “booming” home sales again. Looking at the 20-city index below, L.A. had 0% change from Q1.

Is that really a boom? The American public needs real facts, not fluff. The following table is extracted from CNN.money.com:

City	Change from Q1	Year-over-year change	City	Change from Q1	Year-over-year change
Cleveland	9.80%	-3.00%	Seattle	0.30%	-16.10%
Dallas	6.50%	-2.20%	Los Angeles	0%	-17.80%
San Francisco	5.90%	-22%	Phoenix	-0.20%	-31.60%
Denver	5.40%	-3.60%	San Diego	-0.20%	-16%
Washington, D.C.	5.10%	-11.80%	Detroit	-0.20%	-25%
Boston	2.60%	-5.90%	New York	-1.20%	-11.90%
Minneapolis	3.50%	-19.80%	Miami	-2.20%	-23.40%
Atlanta	2.30%	-13.70%	Las Vegas	-7.80%	-32.40%
Chicago	2.20%	-16.70%			
Charlotte	1.10%	-9.60%	Composite 10-cities	1.40%	0.50%
Portland	0.50%	-15.20%	Composite 20-cities	1.40%	0.50%

Source: S&P/Case-Shiller Home Price Index

Year-over-year, EVERY city is still negative, with 15 cities negative over 10%. The talk of “[shadow inventory](#)” further depreciating the market crept in as well.

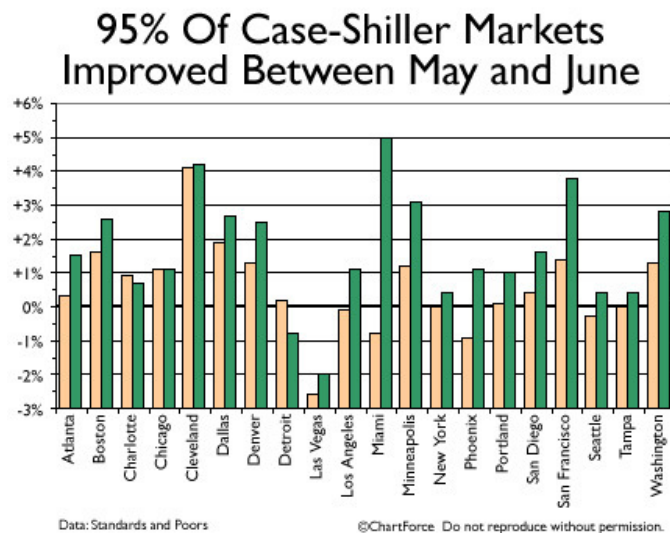
It has been noted before that [Case-Shiller Index probably over weights foreclosure sales](#) (Reported by [AccuriZ](#) and [NewsEconomics](#)). Foreclosure-metro areas have been more heavily weighted, dragging down the overall value of the Index. Does it seem logical that financial institutions would dump houses on the market, knowing that such actions would further deflate property values? There are duplicate and triplicate recordings of foreclosures out there; thus distorting the actual count of properties in foreclosure.

Asking the important question: Would you sell in a down market? It seems to have more common sense than the confusing and contradictory analysis of the sales data presented by Case-Shiller. Letting the market stabilize will enable mortgage servicing companies to come to terms with existing owners. The AccuriZ [Mortgage Assistance Program](#) also provides a solution to this problem.

The article ends with this quote from Mr. Shiller, "I have found that momentum matters," he said, "and this is a sudden break in [downward] momentum. The [market] psychology seems to be changing."

Advantage: BEARS- Who do we trust

[It's Time to Call the Housing Bottom: 95% of Case-Shiller Markets Show Home Price Improvement from TheMortgageReports.com](#)



Improved by how much? 10 of the 20 markets listed are bordering the 1% line. Considering the margin for error, 1% is a meaningless number.

The article then proceeds to list 3 reasons why the Case-Shiller Index is imperfect:

- It's limited to 20 U.S. cities, representing just 9% of the U.S. population
- It's on a 2-month lag, reflective of how housing was, not how it is
- It ignores locality, grouping city neighborhoods into one big lump

So if it's "time to call a housing bottom," what other data is being used (besides the imperfect Index) to make this claim?

Admitting that the Case-Shiller Index is imperfect is one thing, but using that same imperfect data (with no other visible sources) to create a market forecast is completely another.

Many reports have economists using the skewed data of the Index to captivate headlines and bolster their own personal agendas. When not weighed against other sources of information, the Index is questionable in determining a forecast.

Real facts about property data are needed to determine the current state of the market. This article ends by pressing people to buy now with contact information for a pre-approval letter.

Advantage: BEARS- Incomplete data means caution

[Why It's Hard to Tell If Price Gains Represent a 'Turning Point' from Wall Street Journal \(WSJ.com\):](#)

First, the article states that Mr. Shiller noted the recent index “may be turning point.” In next sentence Mr. Shiller is quoted saying, “It really is too soon to call this as a turning point.” Wait... what?

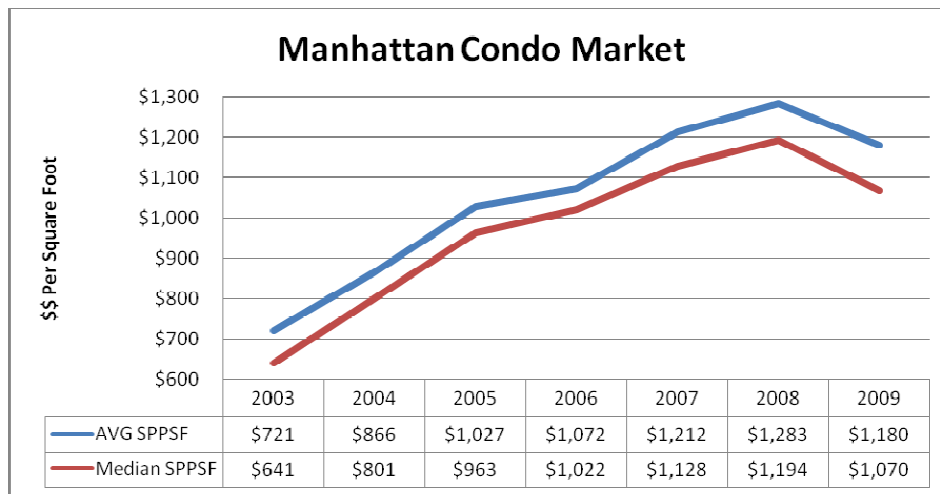
Later, Mr. Shiller expresses “great reluctance” in forecasting market prices. But this is exactly what transpires as economists make predictions solely based on the Case-Shiller report.

For example, later in the article housing economist Thomas Lawler notes that “the price index should keep gaining in the coming months” in the next paragraph. Based on what? What are we supposed to believe? The reason why it's ‘hard to tell’ is because everyone has a different interpretation without providing the facts.

It ends with this quote from Lawler, “Indeed, the [index] is almost certain to continue increase over the next few months. After that, who knows?” said Mr. Lawler.

Advantage: BEARS: Too confusing to pinpoint.

[Housing Market: Looking Better, But Still Troubled from Time.com:](#) Using more than just the Case-Shiller Index, this article notes looking “behind the headline” to see that the “sector is still fragile.” It looks deeper into the property data to see that the low- and mid-tier homes are doing better than more-expensive homes. Once again we see that **[Square Footage Matters!](#)** (Reported by AccuriZ). In a recent Manhattan Condo report we predicted stabilization by Q4, based on square footage;



Also, noting that data on new-home sales like the Index are “notoriously imprecise and volatile,” the article states that “new home-sales are best looked at over five or six months.” So what is the real benefit of these Indexes?

The Time.com report even stated that the margin of error on one particular Index was **plus or minus 13.4%**. With that said who really benefits from this information?

The article ends with, “We’re now moving forward, and even though it looks like we’re doing that in a positive way, there could still be more plot twists ahead.”

Advantage: Bears

So how do they match up for the American public? When the match is based on one specific source of data that has been historically ineffective, no one wins. The Bulls emotions are high right now, but as the emotional sector dies down – and foreclosures, unemployment and a [housing oversupply](#) (in the AccuriZ Housing In Crisis report) start to do damage in the later rounds – the Bears' perspective might take control.

Again, Real Estate is [Cyclical, Seasonal and Emotional](#).

Time and Patience are the elements that work to everyone's benefit. While things are looking better, we still have some time to heal. Incomplete data analyses that rely on public records and outdated property data from certain regions of the country have little impact other than stirring up the emotional sector of the market. A level of confidence needs to be balanced with a level of cautiousness, as quarterly reports and month-to-month gains are not enough to be deciding factors in a market forecast.