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The Editorial Board's View: Housing may have finally found a floor

Building a house can take half a year. Rebuilding the Atlanta region's housing market may take more than a year.

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The good thing is that we may now be thudding along the bottom of the downhill roller coaster ride for residential real estate. Cyclical ups and downs are a natural part of free markets, but nearing the end of this latest stomach-churning ride would be welcome news for this growing region. Time will reveal at what point projections and hopes become reality.

How bad have things been? From April through June of this year, closings of metro Atlanta home sales were down 9 percent compared to the same quarter in 2008. Sales of new housing stumbled into a basement, declining more than 31 percent, according to Coldwell Banker NRT Development Advisors.

In dollars and cents, that meant an average sales price of \$182,259 for single-family Atlanta-area homes in the April-June quarter. Compare that to a \$231,630 average in the year-ago period. This in a region long blessed with abundant, affordable housing to begin with.

That's the painful news. On the positive side, things are looking up a bit since the start of the year. Home sales in the second quarter were up 32 percent above the January-March period.

This is happier news, especially for home sellers and builders, although only time will tell whether we're truly starting back up a positive arc of the housing curve.

That said, it's sobering to realize that the significant drop in home prices is fueling the recent spike in sales. Prices were stomped down by the steep rise in foreclosures and fire sales of financially troubled properties. Eugene James, Atlanta division director for research firm Metrostudy, said, "There are buyers out here, but they're being extremely picky. They're kind of in the drivers' seat, in large part because of all of the foreclosures and distressed properties on the market."

Slashed prices have tempted bargain-hunting buyers back into the real estate market. Lower prices create a big ouch for sellers who'd perhaps viewed their house as being a giant savings bond. Ditto for builders who've seen a portion of profits disappear as prices ratcheted downward.

As painful as falling prices are from the seller side, they're part of the normal adjustment needed to help right a troubled housing market. Scribbling in lower prices on home-sale flyers has paid off for the region, if not individual sellers. As sales start to rise, the inventory of homes has begun dropping toward more-normal levels for this market, moving supply closer to demand. Building fewer homes helps too.

Demand remains weak as consumers continue to feel besieged by the still-strong winds of this recession. Record-high unemployment in Georgia, gyrating stock markets and general worries about the economy have badly shaken buyers' confidence. "As long as consumer confidence is low, people aren't going to be spending money on big-ticket items," said Metrostudy's James.

Price declines can partially offset buyer nervousness, but other measures are needed. The first-time homebuyer tax credit that resulted from a broader proposal by Sen. Johnny Isakson (R-Ga.) has helped spur buyer interest. Given that homebuilders are taking advantage of cheaper lot prices to build more lower-cost homes, that's made an attractive package for folks seeking starter

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houses. Georgia's \$1,800 state tax credit is a decent incentive too.

Congress will restart after Labor Day already mired deeply in health care reform. Before resuming that topic, lawmakers should quickly pass Isakson's latest legislation. It would, for one year, offer a \$15,000 tax credit to anybody who buys a principal residence. An expanded credit would put significantly more brick-and-mortar into housing's still-wobbly foundation. Given that Washington's been tossing dollars by the hundreds of billions at the economy anyway, Isakson's proposal should be an easy sell that would actually produce results. A limited-time-only homebuyer tax credit is a sensible way to help fix residential real estate.

As for remaining challenges, the severity of this downturn has hopefully gone a long way toward fixing some of the systemic problems that drove us into this mess.

The subprime meltdown and the fortunes lost in its wake hopefully refocused lenders on time-tested, straight-and-narrow lending principles that had seemed so quaint and profit-constraining just a few years ago. Making straightforward loans only to creditworthy buyers from here on out will help housing recover.

The job market's sway over housing may take more time to resolve, as unemployment usually lags economic recovery. Atlanta's historic growth will help, given that we've tended to create jobs and draw investment for decades. David Ellis, executive vice president of the Greater Atlanta Home Builders Association, noted last week that "houses in Atlanta are where jobs go to sleep at night."

This region's and state's historic strengths will hopefully mean we regain our economic footing a bit faster than other places. A combination of growth and recovery will lift housing along with the rest of our economy.

Let's hope this roller coaster's really bottomed out.

Andre Jackson, for the Editorial Board

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