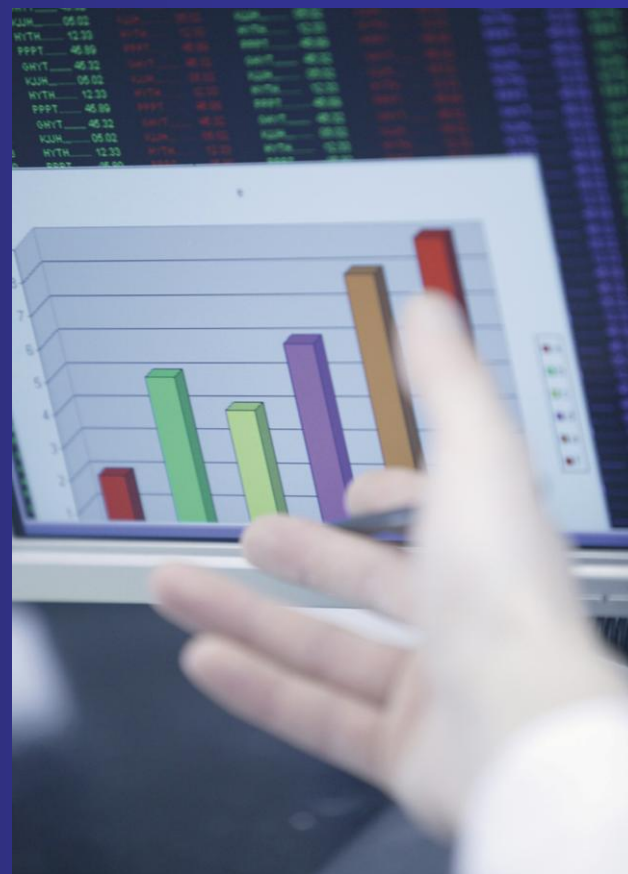




REALTORS[®] Confidence Index

NATIONAL ASSOCIATION OF REALTORS[®]
Research Division, March 2008





REALTORS® Confidence Index Highlights- March 2008

The REALTORS® Confidence Index is a measurement of housing market strength based on responses obtained from a panel of REALTORS®. Each month respondents indicate whether current market conditions are (or are expected to be) "strong" (100 points), "moderate" (50 points), or "weak" (0 points). The results represent the average score for each question. A score of 50 is the midpoint between "strong" and "weak" conditions.

The results below reflect respondents' confidence level in **March 2008**, compared with both the previous month and the same month one year earlier. Perceptions of current residential real estate market conditions are also compared with expectations for business over the next six months.

For this month's report, **488*** usable responses were received from the panel.

This Month's Reading

The REALTORS® Confidence Index for single-family home sales in **March** rose to 29.5, from 26.9 recorded in January and 44.1 from a year earlier. This is the third month-to-month rise in the index since early 2007. The indices for town-houses (19.0) and condos (15.2) have both risen slightly compared to the previous month, but are significantly lower than the same month last year. Practitioner expectations for single-family homes, townhouses, and condos inched up from last month. Practitioners see higher traffic from prospective home buyers compared with a month ago but lower than a year ago. Traffic from prospective home buyers showed an increase to a level of 34.9. The traffic from home sellers remaining virtually flat at 56.1, compared to 56.5 in February 2008. Overall, Realtor confidence is improving since the year end of 2007.

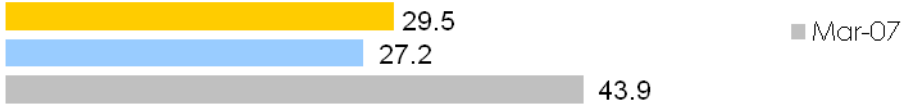
For further insights into current market conditions, see this month's Forecast by Dr. Lawrence Yun, NAR's Chief Economist of Research, on pages six and seven.

**An Additional 207 responses were added from the supplementary survey*

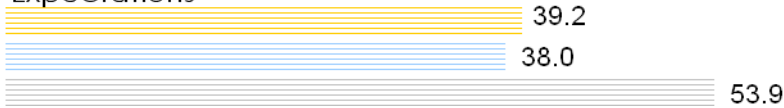


Single-family

Current

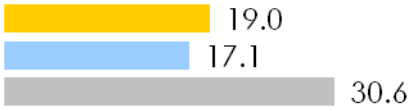


Expectations

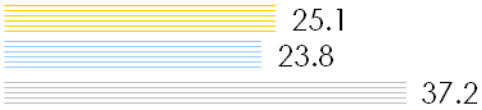


Townhouses/Duplexes

Current

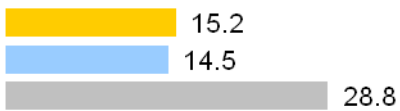


Expectations

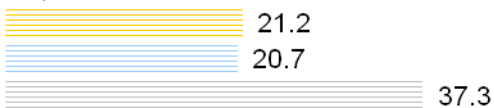


Condos

Current

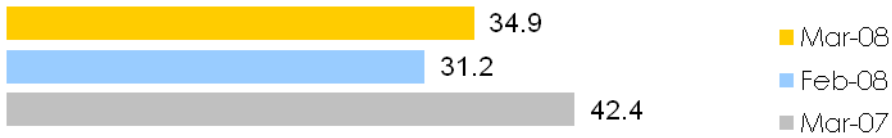


Expectations

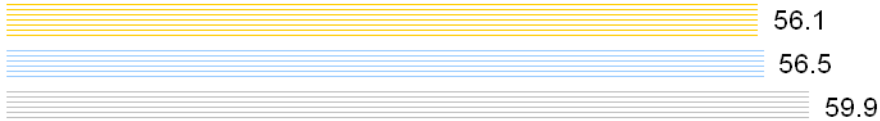




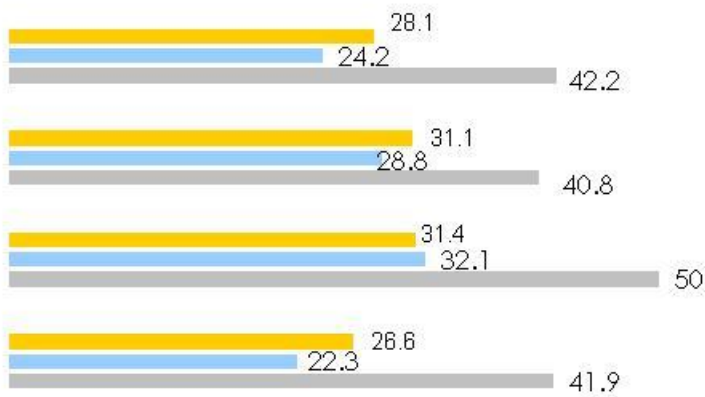
Traffic of prospective buyers



Traffic of prospective sellers



REALTORS® CONFIDENCE INDEX BY REGION





<u>2008.03</u>	<u>2008.02</u>	<u>2007.03</u>	
29.5	27.2	43.9	Current residential real estate conditions (SFH)
39.2	38.0	53.9	Expectations of business over the next six months (SFH)
19.0	17.1	30.6	Current residential real estate conditions (Townhouses)
25.1	23.8	37.2	Expectations of business over the next six months (Townhouses)
15.2	14.5	28.8	Current residential real estate conditions (Condos)
21.2	20.7	37.3	Expectations of business over the next six months (Condos)
34.9	31.2	42.4	Traffic of prospective buyers
56.1	56.5	59.9	Traffic of prospective sellers
			Regional current residential real estate conditions (SFH)
28.1	24.2	42.2	Northeast
31.1	28.8	40.8	Midwest
31.4	32.1	50.0	South
26.6	22.3	41.9	West

Question of the Month

Did your most recent client have to make a short sale?

- 78.3% No
- 2.2% Yes with less than 5 percent debt forgiveness
- 6.4% Yes with between 5 to 10 percent debt forgiveness
- 5.5% Yes with between 11 to 20 percent debt forgiveness
- 4.2% Yes with more than 20 percent debt forgiveness
- 3.3% I don't know

Home Price Expectations

In your area, what are your expectations for home prices over the next year?

- 41.5% Home prices will rise 0-5%
- 4.2% Home prices will rise 5-10%
- 0.6% Home prices will rise 10-20%
- 0.0% Home prices will rise more than 20%
- 53.8% Home prices will fall over that time period



The Forecast

Top-Down Solution

by Lawrence Yun, Chief Economist, NAR Research

The most recent data indicates that, yes, foreclosures rose again in the 4th quarter of 2007. A number of government agencies are trying to help reverse this trend. There are several policies proposed and some already being implemented to address rising foreclosures. But nearly all are attempting to alleviate the problem from the “bottom up,” rather than from the “top down.” The bottom-up approaches involve a work-out plan of current problematic loans. Let's look at several of them.

- The FHA Secure Program offered through HUD allows borrowers to get out of their high-interest rate, subprime loans into a lower-interest rate FHA loan if they meet certain conditions. Those conditions include having some level of housing equity and having demonstrated timely mortgage payments prior to the time when interest rates reset at a higher level.
- Sheila Bair of FDIC was one of the first to call for voluntary loan remediation. Lenders' profit margins will be lower, but remediation is still better for their bottom line than a foreclosure. Recently, she called for systematic lowering of those resetting rates on 2/28 and 3/27 subprime hybrid loans.
- Henry Paulson, Treasury Secretary, called for essentially the same after bringing key financial institutions together and putting the voluntary loan restructuring into more concrete form. There are a lot of hoops a borrower has to go through to qualify for the relief, however.
- Ben Bernanke, Chairman of the Federal Reserve, has suggested lenders give a break to distressed borrowers by lowering some portion of the loan amount. A lower remaining principal will permit more manageable monthly mortgage payments for borrowers. More importantly, the write-down of the principal changes the homeowner's position from being under water (negative housing equity) to above water. The idea is that borrowers can still make payments rather than walk away.
- Senator Chris Dodd (D-Connecticut) has proposed legislation that would permit bankruptcy judges to modify the terms of the loans in order to make payments more manageable.
- Martin Feldstein, Harvard University professor, made an intriguing proposal of immediately converting 20 percent of the existing loan balance into very low interest-rate loans. The federal government will provide the exceptionally low rates.

All of these proposals are well-intended and most will help mitigate foreclosure problems for mortgagees. But in addition to some aspects of these programs, what is also needed – and could well be far more effective – is a top-down solution: raising the



housing demand. As I have written in this column previously, there exists a significant pent-up demand. What we need now is to get the home sales rolling. Rising home sales will lower housing inventory. Lower inventory will help quickly stabilize home prices. A recent Boston Fed study showed that home price movements – and not interest rate resets – are the primary determinant of foreclosures. If households have less or negative housing equity, then they have more of an incentive to default on mortgages and simply walk away.

The challenge is unleashing this pent-up demand into the marketplace. Consumer pessimism is pervasive. The raising of the loan limit on FHA and Fannie/Freddie backed loans will likely help unleash some of this demand as more households will have access to lower interest rate loans. And while lower home prices can also work to bring buyers to the market, they are no guarantee because lower prices can also add to excessive pessimism and consequently hold off buyers.

So, what do I think we should do? What is critically needed at this important point in the housing cycle is a measure to assuredly and quickly raise home buying activity. This can be accomplished by providing a home buyer tax-credit. A nationwide \$5,000 tax credit (the same amount currently in existence for home buyers in Washington, D.C.) would cost the federal government \$40 billion. Factoring in rising economic activity and accompanying rising tax revenue, the true cost could be minimal or even positively favorable. A reversal in the weakness in the housing market, which has been subtracting about one percentage point off GDP growth, can add \$40 billion to the U.S. Treasury – essentially offsetting the cost of the tax credit. If the initial \$40 billion cost is hard to swallow, how about a more targeted tax credit for only first-time home buyers? That would cost the government about \$15 billion.

The ongoing subprime loan mess and related foreclosure problems are due to past lending mistakes. Current home buyers fortunately are not exposed to these “errors in judgment.” And these fresh buyers will also help save the day for existing homeowners who are either defaulting or facing foreclosure. Rising demand lifts all boats. There is a wide selection of safe mortgage products for today's home buyers. Combine those safe mortgages with a home buyer tax-credit and we have the makings of a solid housing market recovery. Because housing nearly always leads the economy, a solid economic recovery will not be far behind.