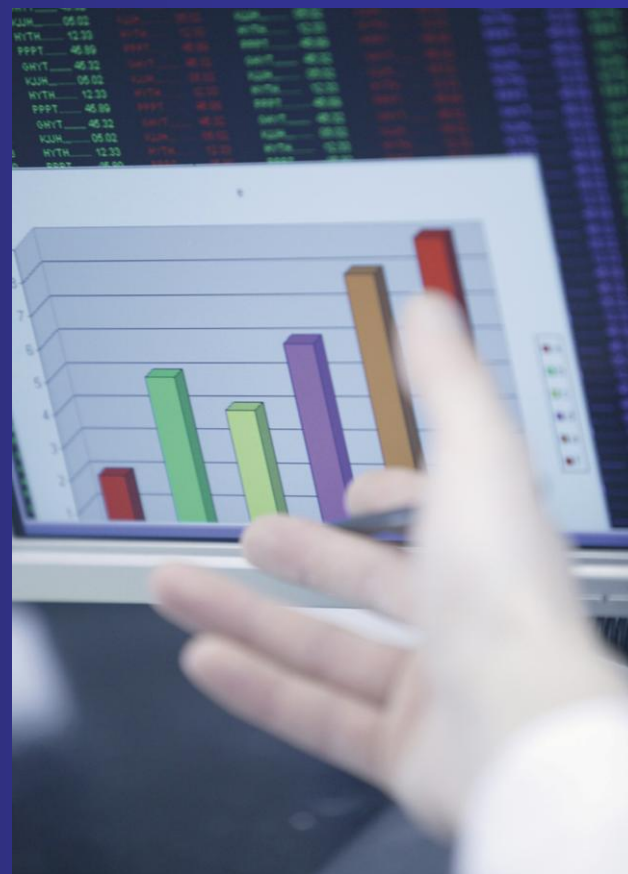




REALTORS[®] Confidence Index

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





REALTORS® Confidence Index Highlights- April 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 **April 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, **696*** usable responses were received from the panel.

This Month's Reading

The REALTORS® Confidence Index for single-family home sales in **April** slipped to 27.6, from 29.5 recorded in February and 46.8 from a year earlier. This is the first small decline after three continuous rises in the index since early 2007. The indices for town-houses (18.5) and condos (15.8) remained almost unchanged compared to the previous month, but are significantly lower than the same month last year. Practitioner expectations for single-family homes and townhouses inched lower from last month, but there is more optimism about the future condo market condition. Practitioners see lower traffic from prospective home buyers compared with a month ago and a year ago, reaching a level of 30.3. Similarly, traffic from prospective home buyers was seen to be lower when compared to last month and last year's level, checking-in at 55.8 in April. Overall, this month's Realtor® confidence hints that practitioners are seeing stability in the market condition.

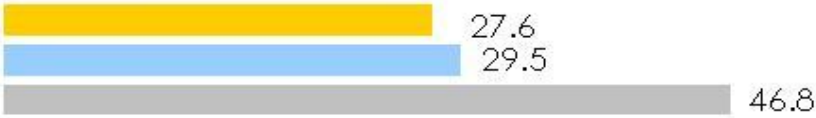
For further insights into current market conditions, see this month's Forecast by Dr. Lawrence Yun, NAR's Chief Economist of Research, on pages six and seven.

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



Single-family

Current



■ Apr-08

■ Mar-08

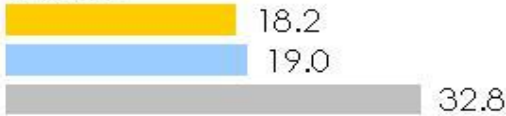
■ Apr-07

Expectations



Townhouses/Duplexes

Current

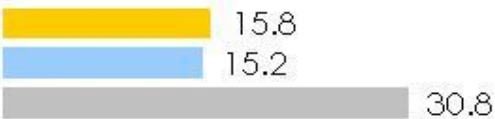


Expectations



Condos

Current

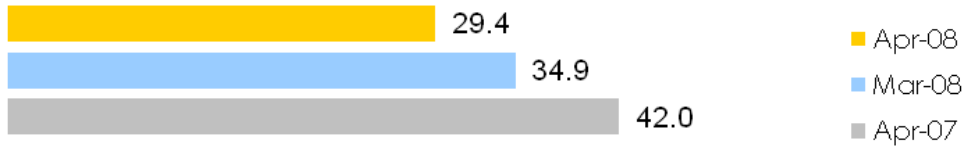


Expectations





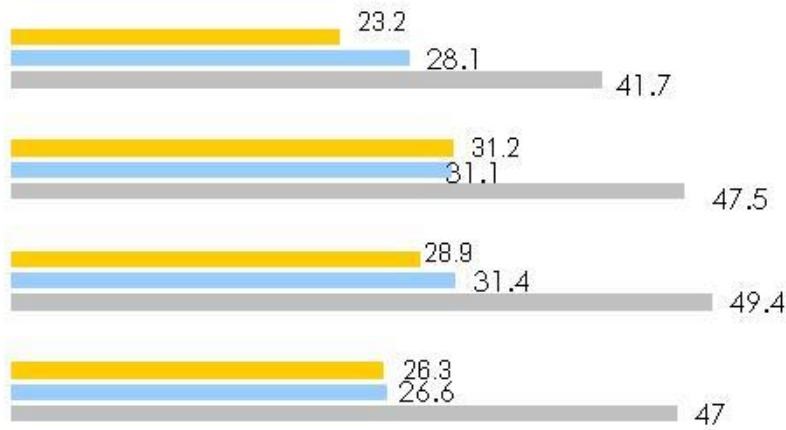
Traffic of prospective buyers



Traffic of prospective sellers



REALTORS® CONFIDENCE INDEX BY REGION





<u>2008.04</u>	<u>2008.03</u>	<u>2007.04</u>	
27.6	29.5	46.8	Current residential real estate conditions (SFH)
37.2	39.2	53.1	Expectations of business over the next six months (SFH)
18.5	19.0	32.8	Current residential real estate conditions (Townhouses)
24.8	25.1	36.7	Expectations of business over the next six months (Townhouses)
15.8	15.2	30.8	Current residential real estate conditions (Condos)
22.3	21.2	36.6	Expectations of business over the next six months (Condos)
30.3	34.9	42.0	Traffic of prospective buyers
55.8	56.1	62.7	Traffic of prospective sellers
			Regional current residential real estate conditions (SFH)
22.0	28.1	41.7	Northeast
32.1	31.1	47.5	Midwest
28.6	31.4	49.4	South
26.2	26.6	47.0	West

Question of the Month

In thinking about your most recent client in 2008, what was the loan they used to finance their purchased home?

- 4.3% Jumbo Fixed
- 1.3% Jumbo ARM
- 33.0% Conventional Prime FRM
- 5.7% Conventional prime ARM
- 1.3% Conventional Subprime FRM
- 1.7% Conventional Subprime ARM
- 26.5% Non-jumbo FHA Fixed
- 0.0% Non-jumbo FHA ARM
- 5.7% Non-jumbo VA Fixed
- 0.0% Non-jumbo VA ARM
- 11.7% Other
- 8.7% I don't know

Home Price Expectations

In your area, what are your expectations for home prices

- 42.3% Home prices will rise 0-5%
- 2.3% Home prices will rise 5-10%
- 0.0% Home prices will rise 10-20%
- 0.0% Home prices will rise greater than 20%
- 55.4% Home prices will fall over that time period



The Forecast

Taking a Look Back

by Lawrence Yun, Chief Economist, NAR Research

Rewind back to 1998. That's 10 years ago when we were all younger and more energetic. You never imagined that today you would be so different from the person that you thought yourself to be in a decade's time. Plans get squashed, chance-events appeared, and gut decisions interestingly turned out to be right. That's the unpredictable journey of life.

What's Different Today?

There are 25 million more people living in America today than in 1998. Employment has grown by 11 million. The typical family income grew from \$47,000 to nearly \$60,000 in the past 10 years. The stock market roller coaster ride can be quite scary, but the Dow Jones Index has moved up from 9,000 (an all-time high at that time) to today's 12,500 or so. Interest rates are much lower today than in 1998. Yes, home prices are higher, but the housing affordability index - which takes into account people's ability to buy a median-priced home at prevailing mortgage rates - is quite comparable between the periods. The index was 137 in February 1998 compared to 135 in February 2008.

The current 10-year low home sales activity can partly be justified by the virtual non-existence of subprime loans; in recent years, those loans accounted for about 20 percent of mortgage originations. But 10 years ago subprime loans were essentially non-existent as well. Conforming and government backed FHA and VA loans have tighter underwriting standards - but underwriting standards for those instruments were pretty much in place 10 years ago. What is limiting housing demand, therefore, cannot be explained by fundamentals. The soft housing demand is psychological. It is a crisis of confidence.

Bolstering Buyer Confidence

Buyer confidence can be fixed quickly with a financial inducement: a tax credit for home buyers. D.C. home buyers enjoy it. Why not apply it for the whole country? Given that the housing slowdown is pushing the economy to the brink of recession, why not resuscitate the sector that is being held back by factors other than fundamentals.

Though the pace of closed sales in February rose ever so modestly, the latest slippage in the pending home sales index - to 84.6 from 86.2 in the prior month - continue to point to soft sales activity through early spring and possibly through early summer this year. Granted, an era of



successive deep sales declines appears to be over, but the 10-year low sales activity is unjustifiable.

The government-sponsored housing enterprises can help. Fannie Mae and Freddie Mac have not yet participated in what was previously the jumbo loan market. Though legally permissible now, they have not yet entered the market due to the need to reprogram software and paper documents. They have indicated mid-April as the likely starting point when jumbo loans will be picked up in bulk from lenders, which would then replenish lenders' capital so as to permit more loan originations at favorable interest rates. Once that happens, expect a lift in median home prices which had been artificially depressed to date due to very few jumbo loans and very few expensive home sales.

With an anticipated pickup in home sales (or a guaranteed pickup in home sales with a home buyer tax credit) in the second half of the year, the economy will also begin to grow. The combination of the recently enacted fiscal stimulus package and the usual lagged impact of monetary policy decisions will further help jump-start the economy in the second half of 2008. That should help stem the tide of any incoming "formal" recession.

U.S. exports have been on a tear and that also will help keep the economy slipping into a recession in the first half of the year, despite the soft housing sector. January's exports soared to \$148 billion, up 16.6 percent from a year ago, nearly a doubling the level of exports at the turn of the century.

Another factor that will help the economy avoid recession is slim business inventory conditions. Housing inventories are high, but business inventories are low. The current wholesale inventory-to-sales ratio of 1.09 is at an all-time low while the retail inventory-to-sales ratio of 1.48 is only a tad higher from its all-time low.

The bottom line on the economy is for zero growth in the first half of the year, but 2 percent economic expansion in the second half. The unemployment rate will reach 5.7 percent by election time because of the lagged impact of zero economic growth in the first half. Rising unemployment mitigates inflationary pressures and the consumer price index will decelerate significantly by the year end.

Rising home sales and rising home prices at the end of the year will mark one heck of a recovery after so many unprecedented disruptions. The foreclosure starts will begin to drift lower by then. The Fed, Congress, and the White House all need to be commended in getting America rolling again.