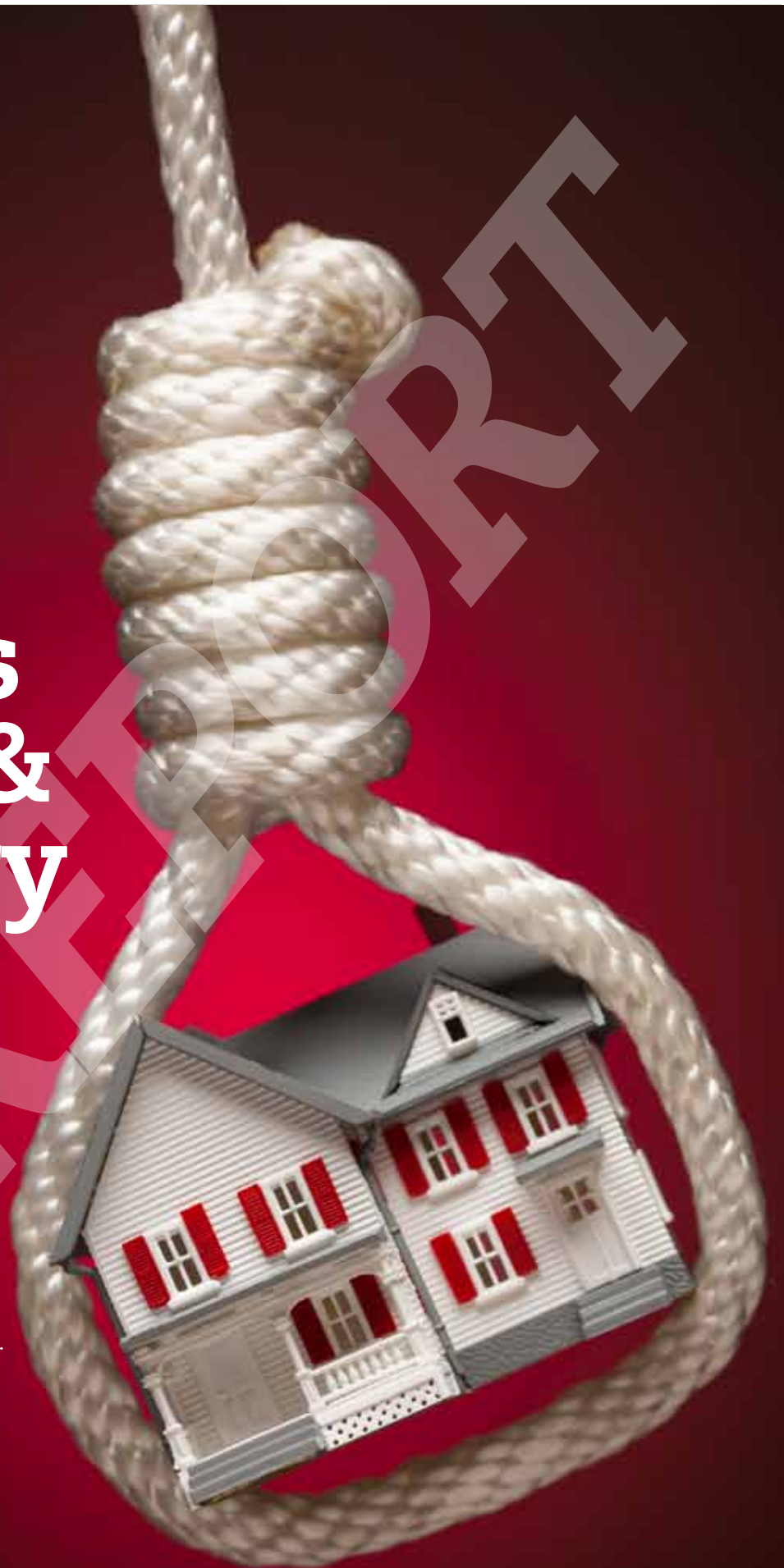


Hanging in the Balance: Why Housing Depends on Jobs & Inventory

Veros Real Estate Solutions reveals the company's forecast data for 2012, and *MReport* talks to Eric Fox, Veros' vice president of statistic and economic modeling, about predicting the future in an unpredictable market.

By Abby Gregory



Releasing its 12-month projections for September 1, 2011, to September 1, 2012, Veros Real Estate Solutions' recent VerosFORECAST report reiterates the nation's very slow climb toward recovery. So, is happiness ahead for the U.S. real estate market in 2012? Veros' findings show that home pricing is likely to remain static or decrease nationally, but by year's end, the company's research indicates that balance becomes more likely with the predicted stabilization of the number of housing markets trending downward and upward.

Regions showing strength and those poised for an uptick are focused in the Great Plains, primarily areas of North and South Dakota, according to Veros' statistics, and states including Texas, Wyoming, Nebraska, Louisiana, and Iowa are also set for a more aggressive recovery in 2012. However, the news isn't so favorable for Nevada, Washington, Oregon, and California's inland markets, each of which is expected to remain depressed.

MReport delved deeper into Veros' survey, asking Eric Fox, the company's VP of statistic and economic modeling, to weigh in with his opinion on the murky future of tomorrow's market. Find out what conditions, catalysts, and Capitol Hill moves Fox feels will play a major role in real estate during 2012.

M // What can industry professionals and borrowers expect from housing market trends for the year ahead?

FOX // Overall, we're definitely seeing things not getting worse, and though we've been observing some indications of eventual stabilization for a while, the year ahead should usher out the worst of our real estate problems. We're generally expecting a housing picture that's anemic or better, and we predict that 2012 will move the country closer to an even number of depreciating versus appreciating markets. A 'normal' national housing climate,

one in which buyers can enjoy a 3 to 5 percent improvement in their home's value, is probably still at least two to three years away; but it's safe to say that at this time next year, we'll be seeing some added improvement. By the close of 2013, the number of appreciating markets should

low interest rates. For markets we anticipate will stumble during the year, the situation is exactly the opposite. In those areas, foreclosures, dropping prices, and a lack of inventory reduction in spite of distressed sales continues to push the market down. The low interest rates don't have a sustained

not be a true double dip in our opinion, and from an economics standpoint, I don't feel double dip is an accurate portrayal of what's happened recently in the U.S. since the uptick in pricing and pace resulted from a rare artificial peak brought on by the first-time homebuyer tax credit. Had it not been for that small, induced bubble, the market would've just continued its consistent, downward trend while edging toward the return of fundamentals like lower numbers of foreclosures, improving employment statistics, and non-manipulated figures for interest rates.

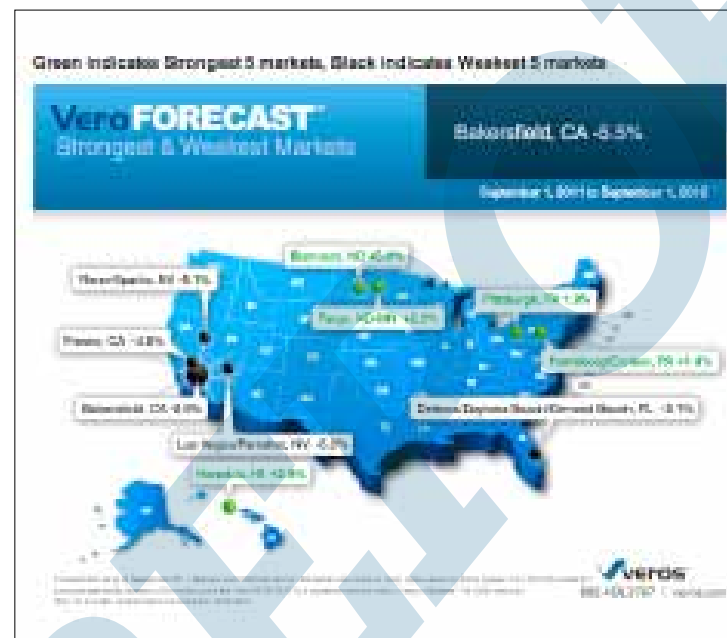
M // Numerous initiatives have been proposed on Capitol Hill lately, from reinstating the first-time homebuyer tax credit to the sweeping American Jobs Act. What pieces of legislation, if any, do you feel could provide a boost to the housing market?

FOX // Personally, I don't think manufactured measures like the tax credit are beneficial because once the temporary effects dissipate, all you've done is slow down the time it will take the country to return to an equilibrium in terms of the fundamentals of a good economic picture. The same could be said of things like the American Jobs Act in light of other major stopgap initiatives that weren't strong long-term solutions. If the goal is to get through the recovery as quickly as possible, then legislation that wouldn't sustain or promote that shouldn't move forward.

M // What markets may surprise us in 2012?

FOX // There might be many, though that may sound surprising. Some markets that have had a very harsh downturn have finally gotten to a place where supply is pretty low, and suddenly, the fundamentals in those areas are becoming balanced, setting them up for appreciation.

For some, the only place to go is up, and I predict that we'll start to see them penetrating the positive portions of the forecast.



Veros' 12-month projections reveal unexpected trends among states and cities likely to stabilize or succeed in the year ahead.

outnumber those moving downward, and the country will be well into a recovery phase.

M // How are the twin factors of unemployment and inventory playing a role in your current market projections?

FOX // The key with each of the 10 markets that account for the top and bottom five among our projections is really the employment environment in the cities targeted. In the areas predicted to lead the recovery in 2012, residents tend to feel things are going well, and they not only have jobs but they also feel they can count on having a job two years from now. Additionally, those same cities are going to be more able to take advantage of historically

positive impact because people in those areas are saying, "We're in a down economy. The jobs are gone, and even though interest rates are low, I may not have a job next month to afford a house." When you look at Las Vegas, for example, you'd think that inventory numbers would be declining thanks to the foreclosure levels, but the supply remains consistent due to an overactive market before the crisis. For markets like that, there is no magic bullet, and those areas can't turn the corner overnight and will remain depressed for a long time.

M // What's your position on a possible double dip? Fact or fiction?

FOX // There hasn't been and will