Housing market comes out of basement

Sales, construction showing stability, but analysts warn volatility not over

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It was — note the past tense — the worst housing recession anyone but survivors of the Great Depression can remember.

From the frenzied peak of the real estate boom in 2005-2006 to the recession's trough earlier this year, home resales fell 38 percent and sales of new homes tumbled 76 percent. Construction of homes and apartments skidded 79 percent. And for the first time in more than four decades of record keeping, home prices posted consecutive annual declines.

Now take a deep breath and exhale. The worst is over.

By every measure, except foreclosures, the housing market has stabilized, and many areas are recovering, according to a spate of data released in the past two weeks. Nationwide, home resales in June are up 9 percent from January, on a seasonally adjusted basis. Sales of new homes have climbed 17 percent during the same period. And construction, while still anemic, has risen almost 20 percent since the beginning of the year.

Even home prices, down one third from the top, edged up in May, the first monthly increase since June 2006.

"The freefall is over," says Dean Baker of the Center for Economic and Policy Research.

The problem is that, Baker, like many economists, expects the housing market will "be bouncing around the bottom" for the second half of the year.

There are also real threats that could poison this budding recovery. The unemployment rate, which is 9.5 percent, is expected to surpass 10 percent, leaving even more homeowners unable to pay their mortgages. Mortgage rates could rise, making homeownership less affordable. And the federal tax credit for first-time homebuyers is set to expire on Nov. 30.

"As long as jobs are being lost, regardless of all the federal programs out there to help the borrowers, you're still going to have problems in the housing market," says Steve Cumbie, executive director of the Center for Real Estate Development at the University of North Carolina's Kenan-Flagler Business School.

The real estate market in the South remains one of extremes.

On one end are oil-rich cities in Texas, Arkansas and Oklahoma that nearly skirted the housing recession altogether. On the other side are foreclosure-ridden areas in Atlanta and swaths in Florida where prices are still falling annually by double digits.

Taken as a whole, home resales in the 17-state region rose 10 percent in the first half of this year on a seasonally adjusted basis and are off just 4 percent from June of last year, according to the National Association of Realtors.