ECONOMY

Jobs at Core of 2010 Home Sales



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PRESS PASS

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The extension and expansion of the home buyer tax credit can be counted on to help home sales throughout the first half of this year, but how will markets fare after the credit expires on April 30 (with deals having until June 30 to close)?

The health of housing for the second half of the year is dependent on jobs, and on this point the picture is mixed. Although we expect GDP growth of about 3 percent this year, job growth will lag and we could see unemployment worsen to about 10.5 percent in the second quarter before it improves.

Employment has always lagged economic growth, and for commonsense reasons. Among other factors, companies tend to hold off on hiring even as business rises until they see growth is sustainable.

However, several factors give reason to believe that the job market is moving in the right direction:

- **Temporary employment is up.** We've seen several months of increasing demand for temporary workers, signaling future permanent gains.
- **2010 is a census year.** This once-a-decade event is a big job generator in its own right. The government can be expected to hire a million people to help it count U.S. households. These temp jobs will serve as a bridge while the economy strengthens and companies ramp up hiring.
- **Some key sectors are already adding jobs.** The professional business service sector—which encompasses accounting, management consulting, and law—got hammered in the recession, but it added 50,000 jobs in December. That's positive news for commercial markets. Meanwhile, jobs in health care service and education remain strong.

Although many pieces must fit together for real estate to gain after the tax credit expires, we can say the most important underpinning of economic health—jobs—is showing encouraging signs. ■

EXISTING-HOME SALES FOR DECEMBER

5.45 million

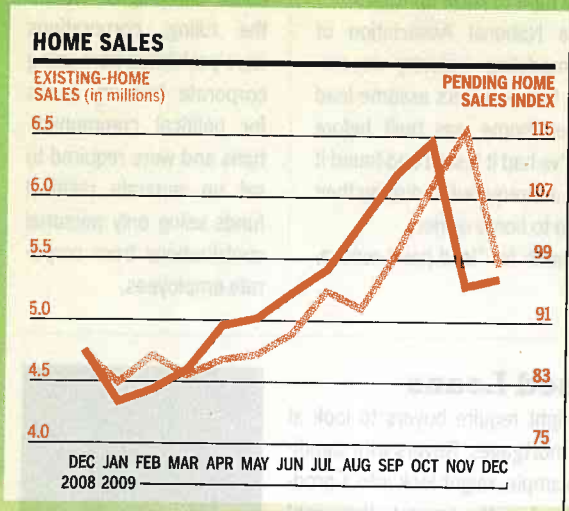
This is a seasonally adjusted annual rate, which is the actual rate of sales for the month, multiplied by 12 and adjusted for seasonal sales differences.

PENDING HOME SALES INDEX FOR DECEMBER

96.6

This Index measures housing contract activity. An index of 100 is equal to the level of activity during 2001, the benchmark year.

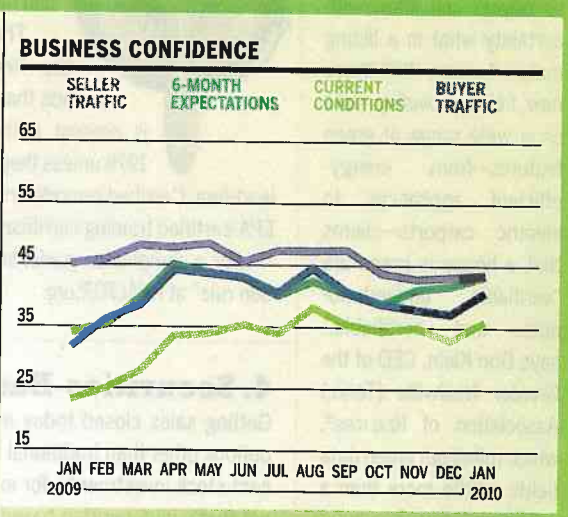
Source: NAR Research



Pace Cools But Gains Expected

Sales of existing-homes in December sank 16.7 percent to 5.45 million from November's 6.54 million*—a drop that was expected in light of the buying surge preceding the tax credit's initial Nov. 30 expiration date. (The credit has been extended to April 30 and expanded to include more buyers.) NAR's forward-looking Pending Home Sales Index suggests sales will pick up again until mid-2010. Sales for all of 2009 rose 4.9 percent to 5.2 million units.

*Revised from figure published in the previous issue.



Year Kicks Off on Upbeat Note

Confidence among practitioners at the beginning of 2010 continued to gain across the board, buttressed by strong sales in November as buyers rushed to close deals to get the tax credit. The strengthening confidence suggests that practitioners expect solid sales through the first half of the year.

Results are based on 3,126 responses to 6,000 surveys sent to large and small real estate offices. The survey asks practitioners to indicate whether conditions are strong (100 points), moderate (50), or weak (0). Responses are averaged to derive results.