

Is 2009 The Year of Real Estate Bargains?

Everyone has felt some of the impact of slumping real estate prices over the past two and a half years, from homeowners trying to tap into shrinking equity to commercial property investors seeing smaller returns and greater vacancies. As 2009 reaches the halfway mark, however, the case for real estate's turnaround is becoming more and more apparent. By 2010, home and commercial property prices will have stabilized further, and interest rates will certainly have risen somewhat. As a result, the next three to six months may be the best opportunity to lock in an attractive mortgage rate, while still reaping the benefits of the best buyer's market in decades.

Many factors influence the real estate market during a recession. However, in the United States, geography plays a much larger role in deciphering statistics which tend to be quoted as national averages. When home prices fall across the country, there is legitimate cause for concern. But the recently released Case-Shiller index provides some promising clues that suggest otherwise. In 7 of the 20 surveyed areas, prices increased between March and April. In several other metropolitan areas the decrease in prices was much smaller than in previous month-on-month comparisons. Most importantly, the nationwide aggregate pace at which home prices have fallen is slowing, with the difference between April and March prices falling a meager .78 points.

This trend points towards stabilization across the board, even as several regions continue to experience contraction. These parts of the United States experienced increased growth throughout the "bubble period," which gained momentum after the dot-com bust, culminating in the spectacular drops seen throughout mid-to-late 2007. This period was marked by two unusual phenomena: the context in the real estate market of speculative and historically high home prices, combined with artificially low interest rates and under-regulated financial products.

These factors are essentially risk-based, and as the financial sector melted down the risk was priced into the record write-downs and subsequent contraction. The extent to which this effect will reinforce any further nominal decreases in home prices remains somewhat uncertain. Their effects will still likely be minimal and take more time to observe. In some of the more adversely affected areas, foreclosures are still high, but no longer the record-setting numbers seen in previous quarters. In addition, any government measures that may be implemented may stem foreclosures further and reduce potential risk to a marginal level.

This systemic and speculative risk has now largely been priced into the market at this point, as evidenced in recent data. Many investors have already begun buying into the markets which continue to grow quietly. This has been occurring in areas which prices have been more stable, such as the Northeast and in states like Texas, where places like Round Rock have continued to grow seemingly unabated. In fact, according to recently released census data, four of the fastest-growing cities in the US are in Texas. This is also reflected in the S&P Shiller index on Dallas home prices, which swung upward 1.7 points between March and April. Many other larger cities in New England and the Pacific Northwest have also continued to experience some growth despite the recession, albeit less than in boom years. These area's track records make them strong contenders for investment or home purchase.

In the broader picture, the Federal Reserve has forecasted a positive GDP in the last half of 2009, after which more competitive investment will end the current buyers market. Buying a home or commercial property will likely not be such a bargain for some time to come, as history shows cycles such as these tend to come every thirty years, with larger dips every sixty or so. That means if you're in for the long haul (or even if you're not) the time may have come to look at real estate once more.

About the Author

Ki lives in Austin Texas and helps people looking to invest in [Austin real estate](#). On the site, buyers can search for homes in the [Austin MLS](#). He also publishes a monthly blog with trends and statistics on [Austin Texas real estate](#).