

Real Estate Outlook: Small Gains

If you're looking for a useful way to interpret where we're headed with the U.S. economy -- and housing prospects in particular - consider this from Dallas Federal Reserve Bank president Richard Fisher:

He sees the national economy as sort of a football team that for 18 months was pinned deep in its own territory toward the end zone -- deeply in trouble.

Then we got some good plays. Housing took off with the help of the federal tax credits, businesses and consumers started spending, and the economy overall expanded for several quarters.

More recently we got thrown for a couple of losses as the stock market plunged on global economic jitters caused by the heavy indebtedness of European countries such as Greece, Spain and Portugal.

Consumer confidence tumbled and home sales dropped in the wake of the tax credits' phase-out.

So where are we now? Fisher believes that we are essentially grinding it out, with short yardage runs -- small gains or small losses in any given week, but we are still moving up the field.

"I believe we are going to (continue to produce) short yardage," Fisher told CNBC in an interview. More importantly, "I don't think we will go backwards."

Put another way, Fisher rejects the doomsayers' predictions of a "double dip" for the economy, where we slide back into recession again - which of course would be a major negative for housing and real estate.

In fact, if you look carefully at some recent economic and housing-related reports, there's evidence of those small gains, even if they don't generate splashy headlines.

Take, for example, last week's national home price data index release from Clear Capital. It documented quarterly and year-over-year gains in home values in most of the top 15 metropolitan real estate markets. Alex Villacorte, the index's chief statistician, said the metro market gains represent "a liftoff" from the lows registered last year and the year before.

The price gains, he also noted, come despite heavy concentrations of distressed sales in some of the largest markets. In the report, Los Angeles prices were up 13 percent over the same time last year, and metropolitan Washington DC was up by 10 percent.

Record low mortgage rates, well below 5 percent for extended periods, have been a huge contributing factor here.

Still another modestly positive sign that catch economists' attention: Homeowners have begun spending again for home improvement projects. A study released last

week by Fitch Ratings projects a 3.5 percent jump in spending for the year -- not a spectacular number, but a modest one, pointed in the right direction.