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What's in Store for the Housing Market in 2012?



By Meg Handley | US News - Wed, Dec 21, 2011 3:23 PM EST

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It's been a pretty long ride down from the meteoric highs the housing market hit in the boom years. Who knew more than five years later, Americans would still be trying to shake off the one of the worst financial hangovers the country has ever known.

Millions of homes have been foreclosed on and millions more Americans have underwater mortgages, the lasting legacy of the housing bubble that grossly overinflated home values. Now, living in homes they can't sell, Americans today are "stuck." Stuck financially, stuck in their homes, and stuck wondering when things will get better.

Is 2012 the year the housing market turns around? Of course, no one can say for sure, but plenty of economists say signals are pointing in the right direction.

"It has become increasingly apparent that the pieces for a housing rebound next year are beginning to fall into place," wrote Barclays Capital analyst Stephen Kim in a recent report.

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Still, obstacles remain for the housing market. Here's look at what to expect in 2012:

Home prices bottom out. Nationally, home prices have plummeted almost 24 percent off of their peak, and most economists expect prices to continue to decline as much as 4 or 5 percent before leveling out in late 2012.

While experts don't expect a rapid conclusion to the saga of ever-declining home prices, "the trend of eroding expectations for the housing market recovery has come to a halt," said Terry Loeb, founder of Pulsenomics, in a release.

Nationally, prices could start seeing a modest bump in 2013, but some markets are already recovering. "[T]hese national indexes mask the sizable variation in local house-price performance," Frank Nothaft, chief economist at Freddie Mac, wrote in a recent report. "Some markets have appreciated over the past year and are likely to gain further in 2012, while those markets with higher vacancy rates and relatively large distressed sales will continue to see downward price pressure over the next year."

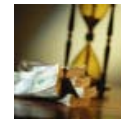
More foreclosures. Foreclosure filings have edged downward over the past few months, suggesting improvement in clearing the gigantic inventory of distressed properties in the United States. But according to a recent report from Realty Trac, a new wave of foreclosures could hit the

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Loan Type	Today	Last Week
30 Year Fixed	3.97%	3.92%
15 Year Fixed	3.29%	3.27%
1 Year ARM	2.96%	2.78%
30 Year Fixed Jumbo	4.67%	4.69%
5/1 ARM	2.87%	2.84%
3/1 ARM	2.76%	2.70%

Source: Bankrate.com More Rates from Your Area

Home Equity

market in early 2012.

Foreclosures have fallen near the end of this year due to eviction moratoriums during the holiday season and continued hold-ups in the legal process as states attorneys negotiate with mortgage servicers over foreclosure practices.

[Read: [Fewer Foreclosures, But No Relief for the Housing Market.](#)]

Clarity on that issue should restart the process and begin flushing homes through the foreclosure pipeline. That's likely to contribute to further prices declines in some markets, particularly those affected by the foreclosure epidemic.

Low mortgage rates. Rock-bottom low mortgage rates are likely here to stay, at least through the first half of 2012, in large part due to the Fed's commitment to keep interest rates low to spur borrowing.

All bets are off, though, if politicians come to a decision on the qualified residential mortgage measure included in the Dodd-Frank financial reform act. "One of the most substantial things that will impact the market will be the definition of the qualified residential mortgage," says Cameron Findlay, chief economist at LendingTree. "That has the potential of entirely changing the way mortgage rates are offered to consumers and it has the risk of raising rates by about 1.25 percent."

As it stands now, the [qualified residential mortgage \(QRM\)](#), could require prospective homebuyers to have at least a 20 percent down payment and face more stringent debt-to-income ratio standards to qualify for mortgages with the best interest rates.

"There's a real potential there for rising rates in the early part of the year," Findlay adds.

Rising rents. The foreclosure crisis has converted millions of previous homeowners to renters and many would-be homebuyers have continued to stay on the sidelines and rent, waiting for prices to "hit bottom" before jumping into the housing market fray.

With more demand comes rising rents, a trend already being seen in many metro areas across the nation. Ultimately that can be a good thing for the housing market, since it generally tips more people into buying homes.

[Read: [Let It Snow: Housing Market Heats Up.](#)]

"Rising rents have traditionally been a good factor for home sales," says Lawrence Yun, chief economist at the National Association of Realtors.

Also, with rental demand heightened, real estate investors' ears have perked up. With prices in many metro areas at historic lows, investors are taking advantage and scooping up properties to convert into rentals, Yun says.

Home sales pick up. The end sum of all these factors is an expected uptick in existing and new home sales next year. "There are so many improving factors that support home sales that we are calling for about a 5 percent increase in [existing] home sales in 2012 over 2011," Yun says.

New home sales should also see an even bigger bump between 10 and 15 percent, Yun says, because the inventory of new constructions is so low. "The builders will be ramping up production," he says.

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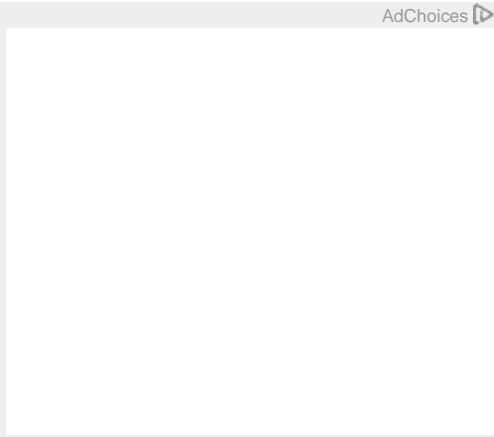
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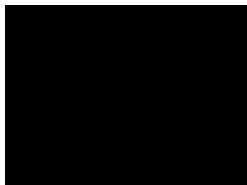
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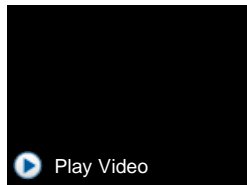


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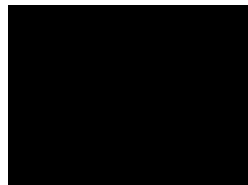
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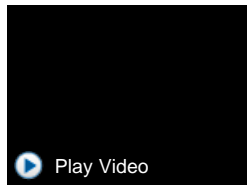
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Cino 2 hours 51 minutes ago | [Report Abuse](#)



first thing is JOBS. more jobs, housing will rebound, even if slowly. also = less foreclosures = price stability.

also, as most know, banks didn't do enough to help people tho they got help. gotta also blame the pols for letting the banks get away w/that.

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Wombat 7 hours ago | [Report Abuse](#)

1 0



The Obama administration along with the liberal media will put a positive spin on the situation the win the election. America will never recover with our huge debt and large percentage of unproductive parasitic (you owe me) citizens. Hey these parasites don't even say thanks to a hard working... [More](#)

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Rob • McHenry, Illinois • 8 hours ago | [Report Abuse](#)



even if houseing turns around most of the skilled tradesmen have given up on the trades the supply houses have closed and the banks don,t give loans ! I have been in the drywall industry all my life I never dreamed of this and will be way to old to perform the job when or if it ever turns around ya... [More](#)

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James • Elmhurst, Illinois • 9 hours ago | [Report Abuse](#)



underwater on your home,having a hard time making payments walk away,get a nice trailer. pay low lot fee have money in your pocket!!!! O WAIT SHE WONT LET ME!!! oh well i did it im happy know with \$\$\$

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Ban B 9 hours ago | [Report Abuse](#)



Are you kidding me....!

[▶ Reply](#)

Hannibal • Paramus, New Jersey • 3 days ago | [Report Abuse](#)



I live in a small town hannibal mo and when you drive around there are alot of emty houses not even on the market the banks are sitting on them and are not being counted ghost enventory the housing is worest than they are reporting this was about greed the banks have all the money and houses... [More](#)

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Ormac 3 days ago | [Report Abuse](#)



Teaser rates haven't worked. Sure, millions more are now underwater because they swallowed the low interest-rate-bait. But now most everyone who could refi or qualify has already done so. The stage is set as buyers have dried-up, and sellers are underwater. Let the panic selling begin!

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Gnosis 4 days ago | [Report Abuse](#)



Banks DO NOT loan money! Banks DO NOT have money! All of the money in the bank belongs to the depositors who put it there and they [the bank] cannot give your money to me in the form of a loan - so they loan "credit." Credit is conceptual and not tangible like paper [cash]! That means that it isn't... [More](#)

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Richard 4 days ago | [Report Abuse](#)



There are a few things things that are going to happen.

1) More housing will go onto the market, slowly, as foreclosures need to get off the books of banks. There is no choice in the matter, at least not how everything... [More](#)

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Melvis 4 days ago | [Report Abuse](#)



when are the Realtors and mortgage lenders going to give up on trying to convince us the housing market is on the way up? They either think we are complete idiots or they believe

their own hype and are delusional. No jobs=no homeowners
Take a look at Zillow.....I use Las Vegas for example.... [More](#)

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Capt.Willard 4 days ago | [Report Abuse](#)

2   0

You HAVE to be kidding...prices have "bottomed"? Most of the numbers/values I see are still WAY beyond Reality for the average American.Combine that with taxes that are totally out of line w/what a local govt.provides,it is no small wonder why the market is so badly out... [More](#)

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Suzanne 4 days ago | [Report Abuse](#)

0   1

What is happening in regard to a recent article I read that banks are being encouraged to negotiate a smaller affordable mortgage based on the current market value of the home so the home owner can stay in their home & avoid foreclosure.?

▶ Reply

Sgt_jimbo 4 days ago | [Report Abuse](#)

6   0

Who wrote this crap? national ASSociation of realtors?

▶ Reply

D. H 4 days ago | [Report Abuse](#)

5   1

But tomorrow will be doom and gloom. No one knows and until Jobs are created, no one is going to be able to stay in tehre houses. And the people who bought in 2005-07 and are completely underwater will come to the realization they are "stupid" to stay in a house that will NEVER rebound back. Take... [More](#)

▶ 2 Replies

Dayo 4 days ago | [Report Abuse](#)

3   2

Thomas Jefferson was a very remarkable man who started learning very early in life and never stopped.? At 83, died on the 50th anniversary of the Signing of the Declaration of Independence along with John Adams
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Gene B 4 days ago | [Report Abuse](#)

3   0

my uncle and his sons have been in the house building business over 40 yrs..didn't build one this yrs. and have decided to give it up...this is the real housing way of life out in this real world...if you build it, they won't come....how can someone buy with no money and worry of having a job?

▶ 1 Reply

Lavaslublu 4 days ago | [Report Abuse](#)

12   1

well they said this same #\$\$ at the end of 2008,again at the end of 2009,again at the end of 2010 and now at the end of 2011

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Brenda 4 days ago | [Report Abuse](#)

5   2

We have lived in this house in the country for 27 years and are reaching an age where our investment should be paying off. Rent a small place like our parents did, but instead we have to keep it. Thanks greedy corporate America!!! We now own a house we can't sell. Glad for a place to live, like... [More](#)

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CaI 4 days ago | [Report Abuse](#)

4 0

We have excess housing in every state enough to give every man woman and child a house but we want newer and bigger. It amazes me how well we have done to cut fossil fuel consumption when over the same 50 year period houses have tripled in average size. Car s and trucks doubled (even though on... [More](#)

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Mary 4 days ago | [Report Abuse](#)

12 7

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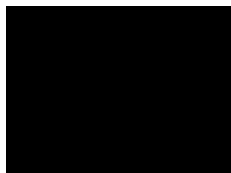
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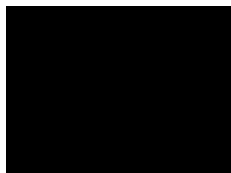
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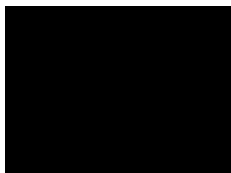
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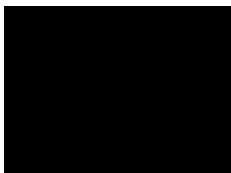
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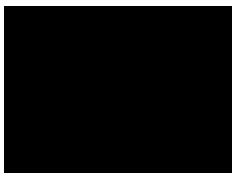
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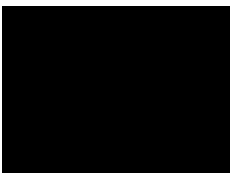
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