



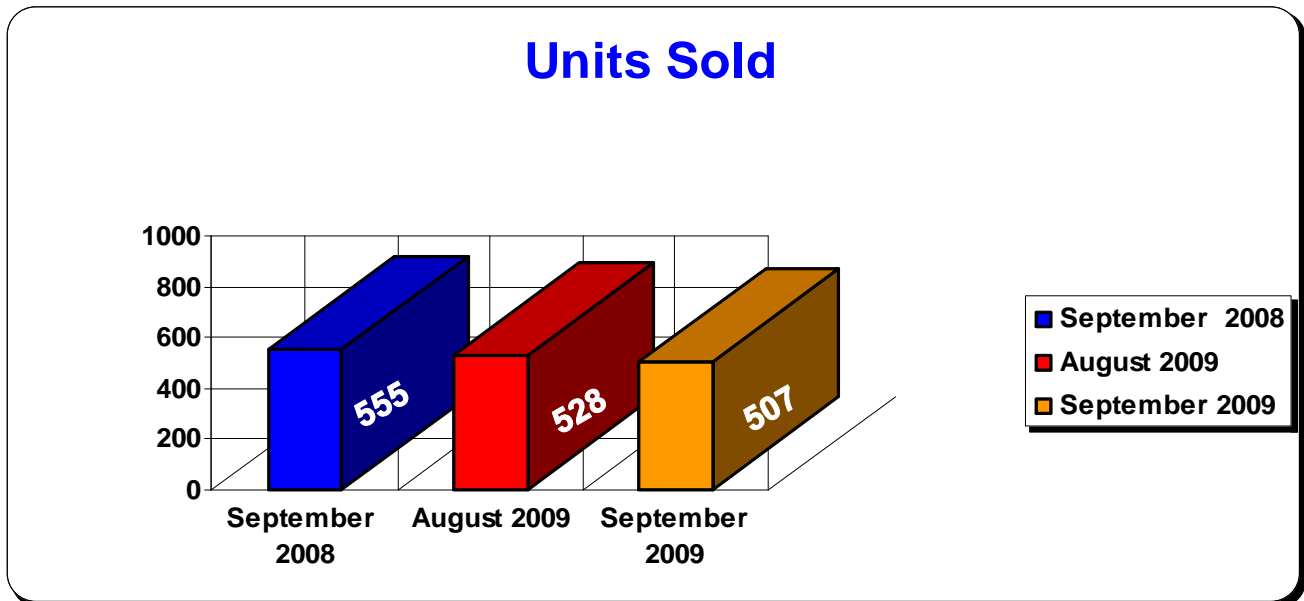
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## AREA HOME SALES REMAIN INCONSISTENT *REALTORS® AWAIT WORD ON TAX CREDIT'S FUTURE*

CHATTANOOGA, TN – October 23 , 2009 – The local real estate market remained inconsistent, with underperformance as its only constant, according to statistics released today, in both number of homes sold and median price, according to data released by the Multiple Listing Service (MLS) of the Chattanooga Association of REALTORS®. In September of this year, Southeast Tennessee and the Northwest Georgia area saw the sale of **507** residential units, a **4%** decrease compared to the previous month's sales, in a retrenchment from previous growth trends observed this year. Earlier statistics had shown three consecutive months – May, June, and July – of small, yet steady, gains in the market.

Leaders within the Chattanooga Association of REALTORS® have, once again, cautioned against drawing inaccurate conclusions regarding the comparison of any given month's statistical results with historical results from any period in the past. They are urging the public, as well as REALTORS® themselves, not to expect a quick return to the high volume sales growth of the past, most specifically the "boom-years" of 2004 through 2007.



Lawrence Yun, NAR chief economist, said that the \$8,000 tax credit has been working. "Home sales retrenched from a very strong improvement (from earlier this year) but continue to be much higher than before the stimulus. The first-time buyer tax credit is having the intended impact of bringing buyers into the market, allowing them to take advantage of very favorable affordability conditions," he said. "Some of the give-back in closed sales appears to result from rising numbers of contracts entering the system, with some fallouts and a backlog contributing to a longer closing process, but the decline demonstrates we can't take a housing rebound for granted."

Local REALTORS® Association President, Nickie Schwartzkopf said that time is running very short for the existing tax credit. "Because it's generally taking 60 days to close on a home after a contract is offered, buyers have little time remaining to act to complete a purchase by the November 30 deadline," She added, "We had hoped for, at the minimum, an extension that could take us through the next few months until Congress could enact something more permanent, but luck seems to be running out on that possibility:"

Chattanooga Area MLS President, Kathy Tucker agrees with Ms. Schwartzkopf's assessment. "There's no guarantee what Congress might do, so there's really no time to waste," she said. "Since Realtors® have unparalleled knowledge of local markets, they can also advise first-time buyers on any additional state or local programs that might be able to offer them financial assistance, and help them close on a home before the tax credit expires."

Senator Johnny Isakson (R-GA) recently issued a statement on the tax credit debate, saying: "I continue to work every day to find a way to extend and expand the current first-time homebuyer tax credit, which is set to expire on November 30, 2009.

After spending more than three decades in the real estate business, I understand the critical role the housing market plays in our overall economy. I believe the current first-time homebuyer tax credit has made a difference. First-time home buyers have used it and the market has stabilized slightly. The National Association of Realtors (NAR) estimates that about 1.8 to 2.0 million first-time buyers will take advantage of the \$8,000 tax credit this year, with approximately 350,000 additional sales that would not have taken place without the credit.

However, the real housing recession is not with first-time home buyers. Instead, I believe we have a recession in the "trade-in" or "move-up" market in which citizens are putting off purchasing their next home. Today, in the United States, one in two sales made every day is a short sale or a foreclosure. That is an unhealthy market, and Americans are still facing an illiquid housing market, a decline in their equity, a decline in their net worth, and a depression in the housing market. "

Isakson introduced legislation October 13<sup>th</sup> that fell in line with his statement, and would expand the \$8,000 tax credit to most homebuyers.

The idea already has the support of Senate Banking Committee Chairman Chris Dodd (D-CT) and could be embraced by Majority Leader Harry Reid (D-NV). Income limits for those getting the tax break would be doubled under Isakson's bill, which is co-sponsored by Dodd.

Many experts voice confidence the credit will be approved by a House and Senate eager to show constituents they are doing something about a brutal recession and painful housing market.

Isakson will offer the tax break for homebuyers as an amendment to legislation extending unemployment benefits. The existing break, included in the \$787 billion economic stimulus bill, expires on Nov. 30.

"We have a tremendous record with the tax credit that shows that it works," said Isakson, who said the original credit was too narrowly tailored. Expanding it to more homebuyers will spur sales beyond the entry market", Isakson said. His legislation would keep the credit alive until June 30, 2010. Besides making the tax credit available to all homebuyers, Isakson's measure would double the income limits on those eligible to win the credit, to \$150,000 for an individual and \$300,000 for a couple.

Complicating the issue further is a recent IRS announcement that it is investigation up to 100,000 tax credit claims for fraud, possibly giving the issue's opponents fuel in the anti-tax credit debate.

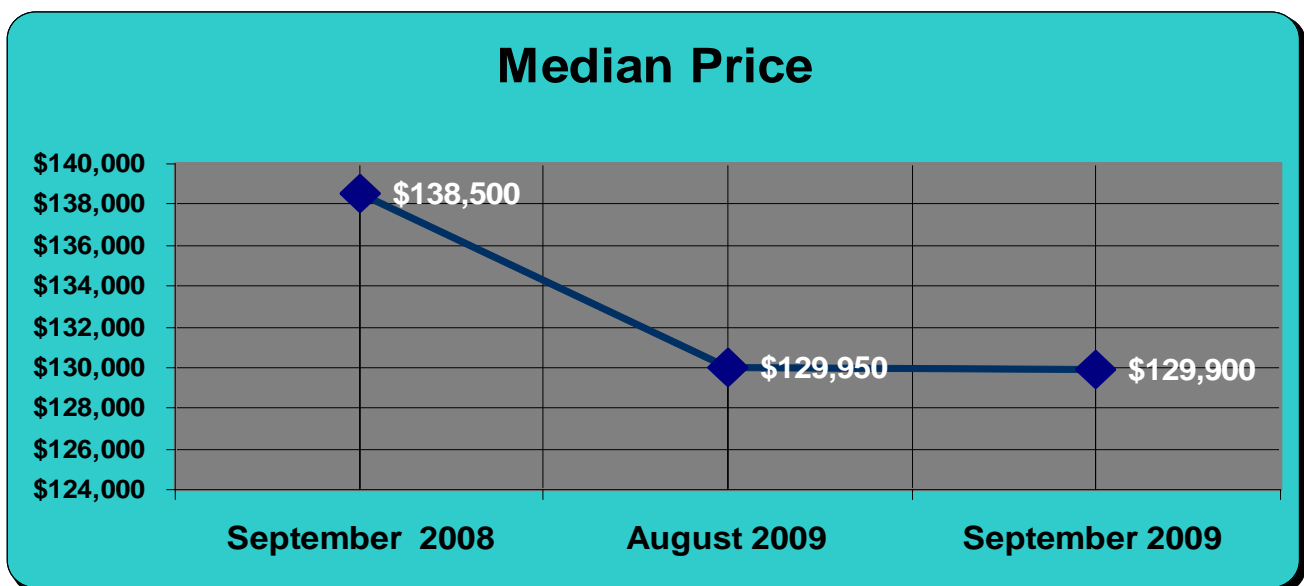
The National Association of REALTORS® remains deeply concerned that prospective purchasers, even those with binding contracts, could be denied the tax credit through no fault of their own. Senior members of the tax-writing committees are aware of these concerns, and have noted the dangers of delay. The NAR has continued its intense campaign that has a locally-driven grassroots component to act on securing an extension of the credit as soon as possible to avert a slowdown in the market.

Currently, six other versions of the extension are wending their way through Congress: House Resolutions 1993, 2606, 2655, 2801, 2905 and Senate Bill S1678 all propose to extend the tax credit, in one way or another, ranging anywhere from only a one month period, with another lengthening it up to May 31, 2010. Some proposals would also treat a purchase of a principal residence as made in a prior taxable year for purposes of such credit, and also apply the credit to all buyers, not just those buying for the first time. HR2905 proposes to extend the credit until 2011. The House Resolutions are all currently bottled up in the Ways and Means Committee, and the Senate version, S1678 is now in the hands of the Finance Committee.

At a press conference on October 8, House Speaker Pelosi (D-CA) responded favorably when asked about the likelihood of extending the first-time homebuyer tax credit. When asked about the possibility of further housing legislation, she responded "Yes, there is under consideration whether we extend the first time homeowners credit. And the question is, would that be just first time homeowners or would you open it up to other purchasers of homes?" She shed no further light on whether the credit would be expanded, but did note that the cost of an expansion would be the major consideration in the decision process.

When asked for comment, Bloomberg Wire Services reports that Chairman Rangel (D-NY) said, "There's no question that I think it should be extended; for how long, we should discuss." House Majority Leader, Steny Hoyer favors, at best, only a one month extension, while HUD Secretary, Shaun Donovan appears to be cool to any action at all.

Affordability is a key indicator – and often the decisive factor - in both the pace and depth of the market dynamics shaping home sales. In the Greater Chattanooga and Northwest Georgia area, this can be seen in the local median home price, which is the price that half of all units sell for more and half sell for less.



For the month of September, the local median home price was **\$129,900**. That represents a decrease of **6.2%** from the same period one year earlier and a statistically negligible decrease from the median price reported the previous month. However, it continues to represent a continuing trend of real affordability, the adjusted median price remains one of the more attractive for U.S. regions of this size.

With the population aging and fewer young people to take the place of baby boomers, the demand for housing may slow for years to come, keeping home values from increasing as they have done since World War II, according to at least one well-known national expert.

"We can no longer assume that housing will be as good an investment for the future as it has been," said Robert Reich, public policy professor at the University of California-Berkeley and U.S. Labor Secretary in the Clinton Administration.

Reich said that he isn't predicting that buying a home will no longer be a good financial strategy, but just that the value of real estate won't climb as rapidly.

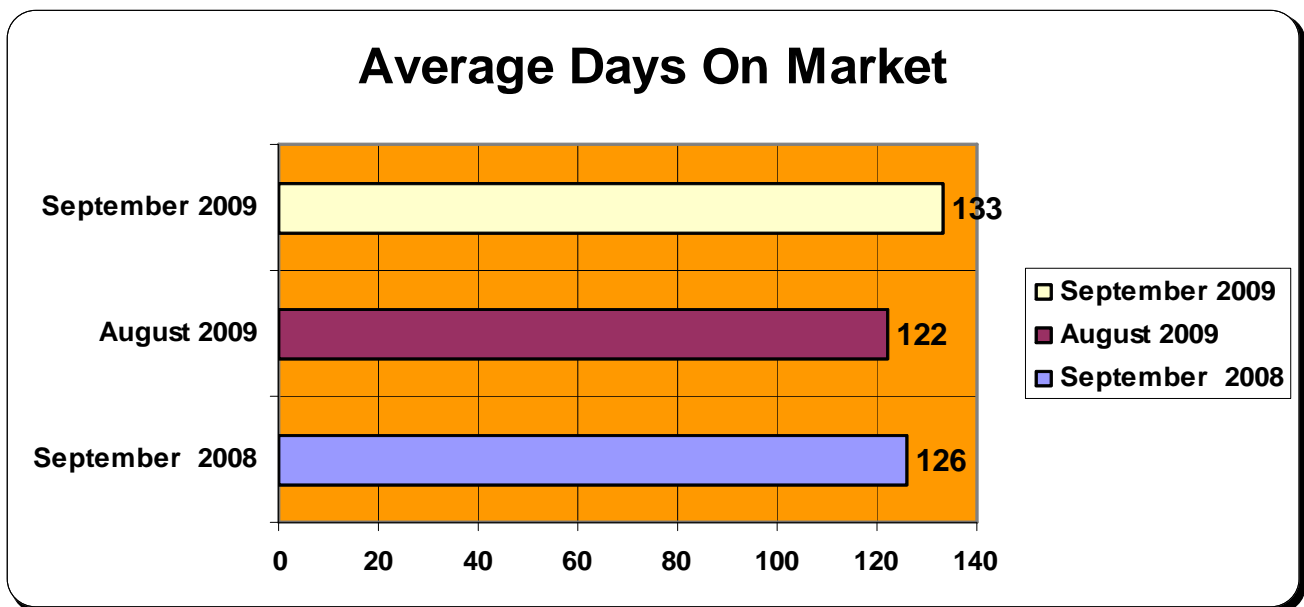
"People in the middle class, although stressed, will still want homes, and homeownership will still be part of the American dream," he predicted. "Home prices will continue to rise, just more slowly than they did in the past 70 years."

The Bloomberg financial news service reports that mortgage rates for 30-year fixed U.S. home loans have fallen for the second consecutive week, pushing borrowing costs to near record lows.

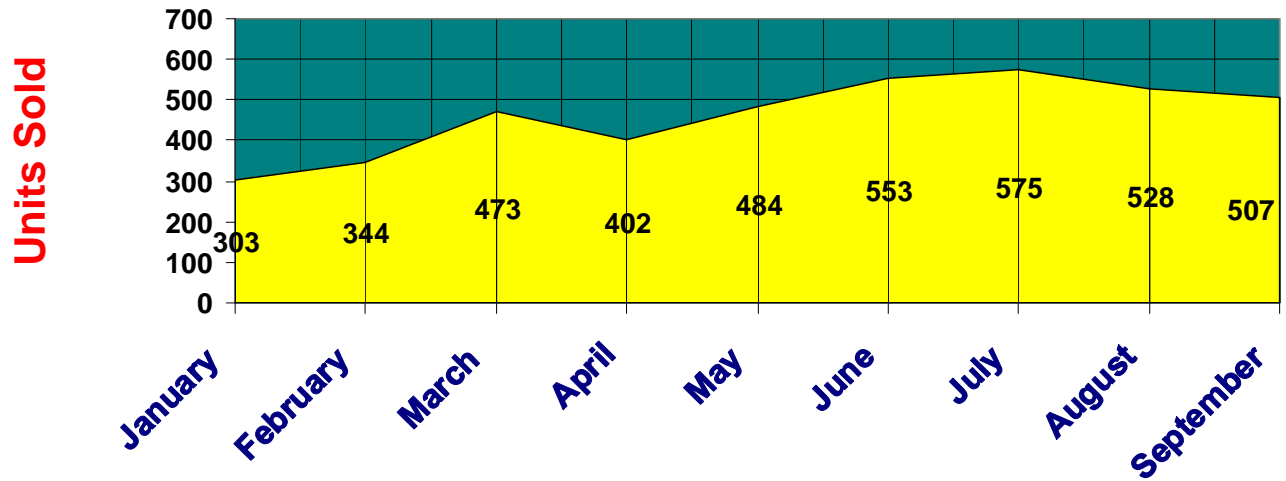
The average U.S. 30-year rate dropped to 4.87 percent from 4.94 percent the previous week. The 15-year rate was 4.33 percent, according to mortgage buyer, Freddie Mac. Falling rates have helped boost home-loan applications to the highest level since May. The Mortgage Bankers Association's index of applications to purchase a home or refinance has risen 16 percent. Rates around 5 percent, slumping home prices and a government tax credit for first-time homebuyers are bolstering demand for housing.

"We're not expecting the housing market to come roaring back to anything close to what it was during the boom," said Scott Brown, chief economist at Raymond James & Associates Inc. in St. Petersburg, Florida. "It's going to be a long, gradual recovery."

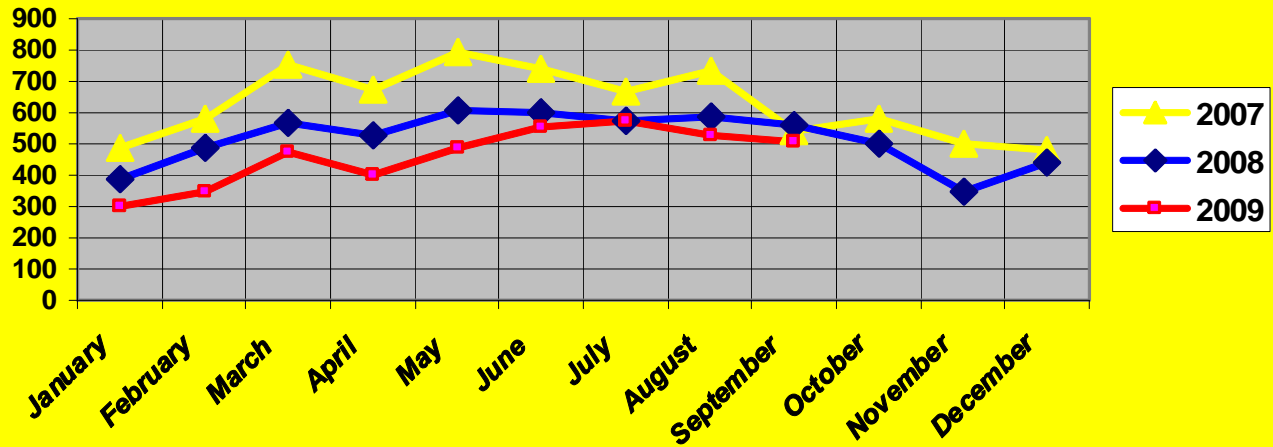
In terms of the number of average days on the local market, September 2009 saw a small increase over figures from the same month in 2008, and from the previous month of August 2009. Many economists attribute this pattern to a continually slow easing of pressures in the financial markets, returning to their previous averages and are hopeful of more consistency over the next few quarters.



## The Year So Far...



## A Three Year Comparison



The Chattanooga Association of REALTORS<sup>®</sup>, the region's premier voice for real estate, is made up of real estate professionals engaged in every aspect of real estate throughout Southeast Tennessee and Northwest Georgia. Those interested in the region's real estate market can visit [www.RightTimeRightMarket.com](http://www.RightTimeRightMarket.com), an informative Web site with up-to-date information about the state of the Northwest Georgia and Southeast Tennessee real estate market while also offering helpful tips on buying or selling a home, information on renting versus owning a home, information on the temporary tax credit for first-time homebuyers, and area facts for those relocating or retiring to the greater Chattanooga area