Nov. 14, 2012

No longer forced to narrate the train wreck that home sales became in the past five years, real estate economist Lawrence Yun smiled a bit Friday while speaking to reporters during the National Association of Realtors convention.

Yun, the NAR's chief economist, has not had a lot to smile about since 2008, the year after the Great Recession officially began and the nation's housing bubble unceremoniously began gushing air.

These days, NAR members have plenty of reasons to be happy about the state — and direction — of the U.S. housing market. Yun and others contend the worst is over, and the industry's growing recovery should continue into 2013.

Home sales are projected to increase 10 percent for all of 2012, even as prices rise 6 percent, Yun said.

"It's why our members have reason to smile after four straight very tough years."

He cited improvements in job creation and household formation, rising rents and continued low mortgage rates as four conditions that have boosted recovery.

Yun predicted home sales and prices each will increase by 5 percent in 2013.

"Anytime there is growth, it is reason to smile," he said.

But Yun and new NAR president Gary Thomas caution that the industry's recovery could be threatened if key government benefits promoting home ownership are not extended.

Those extensions are somewhat in jeopardy because the federal government is

Wells Fargo economist Mark Vitner, who also spoke Friday, suggested the deduction will ultimately be curtailed.

He said Congress, specifically, may consider whether the deduction is worth keeping for owners of two or more residential properties.

Yun counters, however, that the “deduction has been an integral part of the nation’s financial fabric for a century,” and that eliminating it would be “very destructive.”

“The housing market is finally recovering, and that is why the U.S. economy is not in recession,” Yun added after a presentation with Vitner. “To put an obstacle on the housing market … just does not make sense.”

He described the deduction’s tax savings to the homeowner as “a dividend. If it goes away, the home’s value goes down” 15 to 20 percent.

“Values are already down, and now elected officials would be destroying 20 percent of your wealth. I do not see how members of Congress would do that.”

He direly predicted that if Congress were to strip away the mortgage-interest deduction on Jan. 1, “the economy goes into a recession.”

The NAR also wants more lenient lending standards for mortgages, so people with lower credit scores can qualify for them. The group also wants to extend the tax-exemption on debt forgiven in a short sale or foreclosure.

Yun’s other predictions:

Inflation will remain at about 2 percent next year, before rising to perhaps 6 percent in 2015.

Mortgage interest rates will rise gradually, to 4 percent next year and 4.6 percent in

of 1.5 million per year.

Accounting