

# Newsletter



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More confusion in the media reports pricing on real estate down anywhere from 18% to 33% as reported by the Dallas Morning News, Fort Worth Star Telegram and other media sources. Other more reliable sources indicates far better news than what our local media wants to spell out in headlines.

Nationally, it is true, sales prices are falling in a variety of local markets and the falls are steep. Los Angeles, California, Las Vegas, Arizona as well as east coast markets are getting blasted. However locally, reports suggest otherwise. **In fact, the Ft. Worth-Dallas market most recently was shown to have the best performance of all markets in the country on home price changes between October 2007 and October 2008, a decrease of 3-4%.** Where did this report come from? The S&P Case-Shiller Index which was released on 12-30-2008. Considered by many economist as the most reliable report on residential home prices, this report and index reflects that out of all the markets tracked in the U.S., Ft. Worth-Dallas performed the best. If the phones, buyers inquiries and showings we are experiencing are any evidence of what is happening, this report is justified. The truth about real estate is that it is a local phenomena, not a national one and right now, we are enjoying better results than any market in the U.S. A copy of the S&P Case-Shiller Index is provided herein for you as a separate document.

In further opinions that indicate the economy may be moving toward quick improvement, a recent article reported and written by James Pethokoukis for U.S. News & World Report suggests five reasons that the economy might bounce back. I have included a copy of this article for your review. The article suggests in part that elements such as: significant drops in oil prices, large drops in mortgage rates, recent actions in December by the Federal Reserve and potential economy boosting actions by a new administration in Washington could have significant positive impact for the economy. A copy of this interesting article is provided herein for you.

We will continue to always provide you interesting, informative and helpful information as it relates to residential real estate. Your investment in your home is probably one of the most important investments. We want to make sure that even if you are not buying or selling, you have information that keeps you current on real estate news and events. If you are planning to sell or purchase a home soon, give our office a call.

Here is wishing you the best for 2009 from DFWProperties.net.

*Michael*

## **Why the economy might bounce back in 2009**

**Energy prices and mortgage rates are dropping, and the Fed is making sure money is available. Plus, America's competitive strengths remain intact.**

Let's all hope Barack Obama is wrong when he says that getting the U.S. economy straightened out "will take longer than any of us would like -- years, not months. It will get worse before it gets better." And let's pray that Joe Biden is way off when he says the economy is in danger of "absolutely tanking." But, to be honest, far more economists would pretty much agree with those pessimistic statements than wouldn't. (Though that is a good contrarian sign.) Most regular Americans, too. Still, there are a number of reasons to think that the economy might -- just might -- shift back into gear faster than most of us think or hope:

### **1. Plunging oil prices**

It was only five months ago that oil prices hit a record \$147 a barrel. Now they're below \$45, thanks to slowing global demand. At the same time, gas prices have plunged from more than \$4 a gallon to around \$1.66 nationally. (And some analysts think they're heading to a buck a gallon.)

And just as high energy prices were a drag on the economy last summer, they're giving it a boost heading into 2009.

JPMorgan Chase (JPM, news, msgs) economist James Glassman estimates that the drop in oil prices represents "a boost equivalent to a \$350 billion stimulus." To bring that down to the average consumer, Glassman explains, think of it this way: The typical household drives 15,000 miles annually. So a drop in gas prices to, say, \$1.50 a gallon would represent a significant savings in their annual gas bills. This could boost GDP growth by as much as 2 percentage points.

### **2. Falling mortgage rates**

If there's anything falling as fast as energy prices it's mortgage rates. Rates for a 30-year, fixed-rate mortgage fell to a low, low 5.19% last week thanks to the Federal Reserve's pledged efforts to purchase mortgage securities. That should help housing affordability and the ability of current homeowners to refinance their mortgages. And even more good news could be on the way if you don't mind Uncle Sam borrowing billions more for yet another bailout: The Treasury Department is reportedly considering a plan to push mortgage rates as low as 4.5% for new homebuyers and, perhaps, even for current homeowners who want to refinance. Investment strategist Edward Yardeni says that if rates were pushed down to 4%, either via the Fed or Treasury's efforts, the economic impact would be amazing. He figures that the average rate on the \$10 trillion in outstanding mortgages is about 6%. A 2-percentage-point drop would amount to a \$200 billion annual tax cut for the 45 million American households with mortgages.

### **3. Actions by the Federal Reserve**

The nation's central bankers have basically said that they'll do whatever it takes to strengthen the economy. They've already pushed short-term interest rates to near 0% and have made it clear that the Fed will buy various debt securities to unfreeze the credit markets. Brian Bethune of IHS Global Insight called the Fed's recent moves "exactly the kind of forceful medicine the economy needs as it plumbs the depths of the current recession. The Fed's actions will translate into much lower effective borrowing costs in the next few weeks." Certainly this is not your grandfather's Fed. The central bank is pouring money into the financial system. That's a big difference between now and the Great Depression. In the Depression," notes economist Brian Wesbury of First Trust Advisors, "the real problem was that the Fed let the money supply collapse. . . . This is not happening now. The Federal Reserve . . . is adding liquidity to the system as rapidly as it can."

## Why the economy might bounce back in 2009 (Continued)

### **4. Obama's stimulus plan, 2.0**

It now looks like Uncle Sam, under the direction of Obama and the new Democrat-controlled Congress, will spend somewhere between \$750 billion and \$1 trillion over the next two years to boost the economy. The money would be spent, according to analysts, mostly on infrastructure (everything from transportation to broadband to green technology investment) but also on aid to state and local governments and middle-class tax relief.

This plan will probably create somewhat more jobs in the short term than if nothing were done. Obama optimistically hopes for as many as 3 million jobs. The real question is whether his spending plan is the best use of that amount of taxpayer money. What's in store for stocks in 2009? Investment pros weigh in. With John Bogle of Vanguard Group, Abby Joseph Cohen of Goldman Sachs, Paul McCulley of Pimco and Bob Doll of BlackRock. (Dec. 17) Economists Susan Woodward of UCLA and Robert Hall of MIT are dubious. In their co-written blog, the duo opine that "complicated projects take time to ramp up to high spending and employment levels."

But, most promising is a payroll tax holiday Obama is rumored to be considering. That would put money into the economy much faster than an infrastructure spending plan. Even better, many studies say, would be sweeping tax cuts on incomes, business and capital.

### **5. America's deep fundamentals**

Did you know that the World Economic Forum -- the Davos, Switzerland, people -- for the second straight year judged the United States as possessing the most competitive economy in the world? (Then came Switzerland, Denmark, Sweden and Singapore.) Among America's strengths: innovation, flexible labor markets and higher education. Not surprisingly, though, our institutions ranked a dismal 29th. (Thanks, Wall Street.) Overall, the core U.S. economy is in far better shape than it was in the 1970s, with a higher productivity and a better tax and regulatory system. Even though the American economy finally succumbed to the oil shock and the credit crisis in 2008, it held up longer than many predicted, thanks to its deep strengths. Who knows, maybe it will surprise the bears again in 2009.

This article was reported and written by James Pethokoukis for U.S. News & World Report.