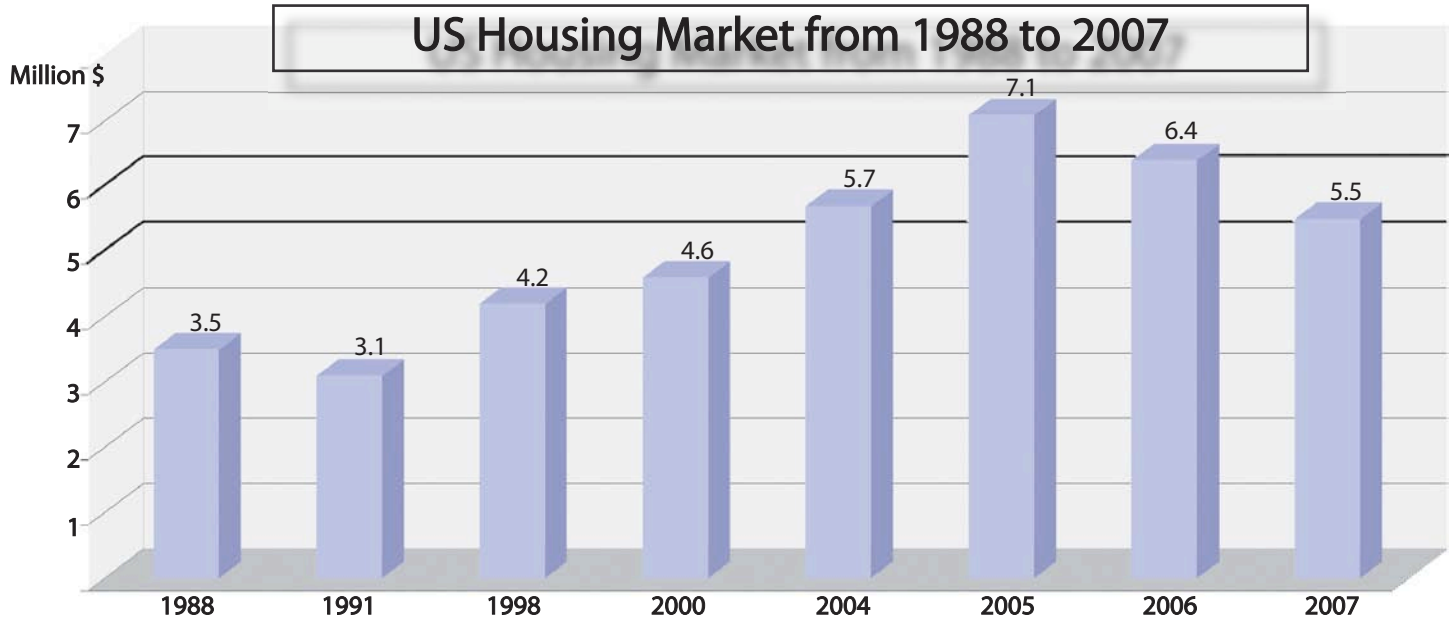




Where Are We Going and Why Are We in This Hand-basket?

By Mark Shaw



I picked up the newspaper this morning only to see more bad news about sub-prime mortgages and devastating write downs of major financial institutions. Doomsday looming in the future...it's a wonder we've made it this far. Before you throw in the towel regarding the future of the Real Estate market in the US, let's take a look at some hard numbers regarding this disaster "ala mode."

Since 1952, the Real Estate community has been keeping track of the number of homes sold in the US. In 1988, 3.5 millions American households changed hands. This represented a "solid year" by industry standards. By 1991, both the Gulf War and Cold War had come to a close and there was a major economic regrouping across the country. Home sales dropped 10% to 3.1 million homes. This was the lowest ebb we had seen in 20 years.

By 1997, the Real Estate

market had firmed up and by the end of 1998, there were 4.2 million sales recorded. Y2K supposedly the year that we were all going to be hurled back into the Dark Ages according to the media, came and went, showing 4.6 million home sales. Then in 2004, the market went bananas and by its conclusion, 5.7 million units were on the books. In 2005, Real Estate sales became overheated with 7.1 million recorded sales, 40% of which were non-owner occupied. This meant that either Baby Boomers were buying 2nd or vacation homes or people were speculating on investment properties. This is very normal in a capitalistic society.

Now, in 2006, sales had cooled to 6.4 million. In 2007, with the numbers almost in, we are looking at a market that is back to normal with a national figure of 5.5 million sales. What a minute... what's happening to the hand-basket? It will be clear that 2007 may

prove to be the 4th best Real Estate market in US history!

Taking a peek at America's equity picture will give us true perspective on today's "devastation" in the sub-prime sector. Of all the homes in the United States, 30% are owned free and clear. Rarely, if ever, mentioned that there is between \$9.9-10.4 trillion in current mortgages with \$56 trillion dollars of equity in American households. Add to that the wealth of the US at \$70 trillion with the value of stocks between \$15 and \$20 trillion, while the bond market is even larger.

It is estimated that the foreclosure number will equal about \$75 billion. Now, obviously banks will not write off the entire amount because they still have a house to sell, so in essence the truer figure is approximately \$25 billion. Let's see...\$25 billion compared to \$10 trillion. That comes out to .0025%. Around 1/4 of 100th of a percent.

In short, let's take the time to

look at the real facts: the Hundred Years War actually lasted 116 years; Panama Hats are made in Ecuador; King George VI's first name was really Albert...and the Real Estate market is alive and well in 2008.



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