

Housing Bubble and Real Estate Market Tracker

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Here's our summary of articles and data points on the housing market. It's part of Seeking Alpha's [coverage of the real estate market and homebuilder stocks](#). Like all other topics and stock coverage from Seeking Alpha, you can have this sent to your Blackberry or desktop email by signing up for our no-spam [free email subscription service](#).

Quote of the Day- "From the House's Mouth"

"We borrowed demand from the future and now we're paying for it. We sold homes in 2004 and 2005 to people who would have bought in 2007. We sold to people who shouldn't have been buying then. - Ken Perlman, vice president of Sullivan Group Real Estate Advisors in Las Vegas. ([Trading Markets](#), Oct. 22nd)

Real Estate Sales and House Prices

- [Permits For New-Home Construction Hit 14-Year Low](#) (AZ Central, Oct. 23rd): "RL Brown's latest Phoenix Housing Market Letter: Home building permits across metropolitan Phoenix fell to a 14 1/2-year-low to 1,309 in September. New home construction figures for the Valley haven't been this low since February 1993... Most builders are slowing down and putting up fewer homes until much of the speculatively-built inventory is sold, Brown said. Fewer spec homes - houses built but not sold - mean fewer listings and a dent in the glut of Valley homes for sale. New home sales last month reached 2,991, more than double new home permits."
- [No Bottom Yet for Key West Real Estate](#) (Key West Chronicle, Oct. 23rd) Florida: "Market indicators show that Key West real estate has further to fall... Residential Key West real estate data, comparing the first 3/4 of 2006 versus 2007: Total sales were down 0.5% to 366. Dollar value of sales dropped 15% to \$305 million. Average sales price dropped \$14% to \$833,000. Average days on the market grew 29% to 174 days. Average list price was down 7% to \$991,000. The number of properties for sale increased 9% to 1394... Lenders have shut off the free flow of money... home prices are still very high, and taxes and hurricane insurance continue their burden."

Real Estate Investing and Sentiment

- [NAR Crosses Swords With DOJ Over Real Estate Site](#) (Inman News, Oct. 23rd): "National Association of Realtors officials lashed out... online against a "Competition and Real Estate" Web site launched earlier this month by the U.S. Justice Department's Antitrust Division... Two years ago the Justice Department filed an antitrust lawsuit against the Realtor group [for] overly restrictive policies for the online display and sharing of property information. That lawsuit is ongoing. The Justice Department Web site promotes the benefits of competition in the real estate industry and highlights potential barriers to competition. Last year, the U.S. Federal Trade Commission... launched its own Web site focused on competition in the real estate marketplace."

Mortgages and Real Estate Lending

- [Overnight Real Estate Rates Lower Still](#) (Inman News, Oct. 23rd): "Long-term mortgage interest rates declined again Monday, and the benchmark 10-year Treasury bond yield rose to 4.41%. The 30-year fixed-rate average dropped to 5.94%, and the 15-year fixed rate sank to 5.56%. The 1-year adjustable dipped to 5.7%. The 30-year Treasury bond yield stayed at 4.69%. Mortgage rate figures are according to Bankrate.com, which publishes nightly averages based on its survey of 4,000 banks in 50 states. Points on these mortgages range from zero to 3.5."
- [Countrywide Financial Confirms Pact With Non-Profit Group](#) (CNN Money, Oct. 23rd): "Countrywide Financial Corp.

(CFC) confirmed late Tuesday that it entered into an agreement with the Neighborhood Assistance Corp. of America to help borrowers preserve homeownership and avoid foreclosure... Under the program, homeowners have a "waterfall" of options, from a payment plan, to modification, to refinancing and finally to restructuring. Homeowners will be able to achieve a mortgage program that provides a payment they can afford over the long-term, Countrywide said."

- [Dumped Mortgage Files Invite Identity Theft](#) (Yahoo! Finance, Oct. 23rd): "A cache of 40 boxes of loan files containing Social Security numbers, credit reports and other data on customers of Ameriquest Mortgage Co... was found in a dumpster in Atlanta last month. This sort of mishap... leaves borrowers vulnerable to identity theft... The mortgage process has become more complex, with consumer information flowing through the hands of a menagerie of independent brokers, itinerant loan officers, investors and financial middlemen. With the housing downturn forcing many of these firms to sack workers and shut branches, some mortgage files are getting lost... turning up in places like dumpsters that are easily accessed by scam artists."

Global Subprime Fallout

- [Lenders Deny Financing To Foreign Buyers](#) (The Real Deal, Oct. 23rd): "Foreign visitors have snapped up about 25% of all new condo sales over the last five years. They've often bought their properties with minimal background checks, mostly because verifying criteria like creditworthiness and job security was difficult from thousands of miles away. Still, lenders were willing to cough up 90% or more of the financing for a condo purchase, or more, back when they used more relaxed standards. Against a backdrop of revised, tighter lending standards, foreign buyers seeking a New York mortgage are among first to be denied financing."

Subprime Fallout

- [Ambac Posts First Loss as Subprime Bond Prices Drop](#) (Bloomberg, Oct. 24th): "Ambac Financial Group Inc., the world's second-largest bond insurer, reported its first quarterly loss after reducing the value of subprime mortgage-linked securities the company guarantees by \$743 million... Ambac said it had a third-quarter net loss of \$360.6 million, or \$3.51 a share, compared with net income of \$213 million, or \$1.98, a year earlier... Ambac guarantees payments on collateralized debt obligations, promising to pay CDO holders in the event of a default. The value of that insurance has tumbled in line with a slump in the price of CDOs backed by subprime mortgages."
- [Loan Modifications and the Mortgage Market](#) (Accrued Interest in Seeking Alpha, Oct. 24th): "Many modified loans [that are part of securitized subprime mortgage pools] wind up defaulting anyway. This time is different, though. Because the borrower who got in trouble entirely because of a rate reset isn't the same as the classic delinquent borrower who merely can't keep a job or handle credit cards. Remember that all these subprime deals were priced assuming a certain level of defaults: a level consistent with the "classic" reasons for delinquency. If we could do enough loan mods to make the "classic" reason for default the most common reasons, then we'd have a better chance of containing the subprime contagion."
- [Too Many Zeroes For Paul Krugman](#) (Tom Brown in Seeking Alpha, Oct. 24th): "Did Paul Krugman actually write that "the bursting of the housing bubble means that someone, somewhere, has to accept several trillion dollars in losses."??? The estimates I've seen for eventual losses in subprime mortgage (which is where virtually all the losses will occur) range from \$75 billion to \$150 billion, or around the aggregate price change of the combined U.S. equity markets in a single day."
- [Merrill Lynch Reports Loss on \\$8.4 Billion Writedown](#) (Bloomberg, Oct. 24th): "Merrill Lynch & Co. (MER) reported the biggest quarterly loss in its 93-year history after \$8.4 billion of writedowns, the most by any securities firm. The third-quarter loss of \$2.24 billion, or \$2.82/share, was about six times higher than Merrill estimated on Oct. 5. Merrill wrote down the value of subprime mortgages, asset-backed bonds and loans to finance leveraged buyouts. CEO Stanley O'Neal... is "working to resolve the remaining impact from our positions." O'Neal misjudged the severity of the decline in the credit markets since July. Investors who lauded the 56-year-old CEO for chasing higher returns now question his management."
- [Countrywide's New Scare](#) (Wall St. Journal, Oct. 24th): "In Countrywide Financial's (CFC) option-ARM portfolio, 5.7% were at least 30 days past due as of June 30... That's up from 1.6% a year earlier. Countrywide held \$27.8 billion of option ARMs as of June 30, accounting for about 41% of the loans held as investments by its savings bank. UBS: An additional \$122B have been packaged into securities sold to investors... In the subprime market, 20% of Countrywide-serviced nonprime loans [are] at least 30 days overdue as of June 30. Losses also are mounting on home-equity lines of credit and second-lien mortgages, of which Countrywide held \$22.6B as of June 30."
- [Prime Loans Gone Bad](#) (Calculated Risk, Oct. 23rd): "WSJ/UBS analysis: Some 3.55% of option ARMs originated [as prime loans] by Countrywide (CFC) in 2006 and packaged into securities sold to investors are at least 60 days past due. That compares with an average option-ARM delinquency rate of 2.56% for the industry... The deteriorating performance of option ARMs is evidence that lax underwriting that led to problems in subprime loans is showing up in the prime market, where defaults typically are minimal. Moody's Economy.com: Challenges could grow, as from 2009-2011, monthly payments on some \$229 billion of option ARMs will be adjusted to include market-rate interest and principal."
- [Diablo Funding Closing Its Doors](#) (East Bay Business Times, Oct. 23rd): "One of the largest private mortgage brokerages

in Northern California, Diablo Funding Group Inc., is closing its doors. The San Ramon company is shutting down effective this week, said CEO Anthony Battagello. "The economic environment has been difficult for us," Battagello said. Many Diablo Funding agents are moving on to other companies, he said. Diablo Funding, founded in June 1992, focused on retail mortgage originations through a network of more than 650 independent licensed mortgage consultants."

- [Fitch Downgrades Option One's Servicing, Cites Offshoring](#) (OC Register, Oct. 23rd): "Fitch Ratings downgraded Option One Mortgage Corp.'s residential loan servicer ratings Tuesday, citing several factors including the uncertain [buyout by] Cerberus Capital Management and the health of parent H&R Block ([HRB](#)). Option One's prime rating dropped to 'RPS2+' from 'RPS1' and its special products rating dropped to 'RSS2+' from 'RSS1'. Fitch said the ratings remain on Rating Watch Negative... Fitch: "The company continues to make reductions to its current servicing staffing levels through attrition and leveraging offshore and domestic vendors. Option One continues to outsource back office functions to its offshore vendors and captive sites... to further reduce costs."
- [iDatix Corporation Aims At Providing Paperless Mortgage Operations](#) (ECM Connection, Oct. 22nd): "Synergy Mortgage streamlines end-to-end mortgage processing from loan origination and electronic delivery of mortgage files to the secondary market. Due to the iDatix' iSynergy Mortgage recognition in the mortgage industry, Meritage Mortgage, a sub prime mortgage lender, embraced the technology to combat rising costs of the paper intensive mortgage process, reduce the paper handling process time, eliminate lost documents, and have the ability to share information across the enterprise. Traditionally the sub prime mortgage environment is significantly more labor intensive than a standard mortgage process due to the stringent requirements that accompany the sub prime-lending environment."

Foreclosure Data

- [Condo Bubble](#) (Daily Business Review, Oct. 23rd) Florida: "A subsidiary of Miami-based developer Merco Group has been slapped with a \$30 million foreclosure suit after allegedly skipping payments since June on an unbuilt condo project in West Palm Beach. The developer has for months rebuffed efforts by would-be unit buyers to get refunds on deposits totaling millions of dollars for condos at the project that shows no signs of construction any time soon. Eastern Financial Florida Credit Union filed the foreclosure suit Friday... The developer planned to build 338 condominium units on the site... but said the \$300 million project never broke ground due to insufficient preconstruction sales."

Macro Impact, And Will The Housing Slump Cause A Recession?

- [U.S. Economy: Existing Home Sales Decline More Than Forecast](#) (Bloomberg, Oct. 24th): "National Association of Realtors: Sales of previously owned homes fell 8% in September to an annual rate of 5.04 million, the fewest since records began in 1999 [and] almost twice as steep as economists forecast... Traders added to bets that the Fed will... cut interest rates again next week to prevent the two-year real-estate slump from bringing the expansion to an end... Economists had forecast resales to fall 4.5% to an annual rate of 5.25 million from a previously reported 5.5 million pace in August... August's sales were revised to 5.48 million. The median price fell 4.2% to \$211,700, compared with September 2006."
- [Will Housing Kill The Consumer?](#) (NJ Real Estate Report, Oct. 23rd): "Joseph Stiglitz, Nobel economics laureate: A slowdown in the U.S. economy may be prolonged as a house-price drop cuts off a source of funding for consumers: "The average price of housing in the U.S. is already falling. That will be a big problem for the U.S. and [therefore] for the global economy." A drop in consumer spending in the world's biggest economy may depress demand for exports in countries from China to Germany. Stiglitz: Last year between \$850B-\$950 billion was taken out of the value of homes in mortgage- equity withdrawals, with a "significant fraction" translated into consumption."
- [New Yorkers File For Bankruptcy In Droves](#) (Crain's NY Business, Oct. 23rd): "The number of personal bankruptcy filings in NYC shot up nearly 70% in the past year. Chapter 7 and Chapter 13 filings in the city increased to 10,541 over the past 12 months, marking a 69% increase. The largest increase, 83%, was recorded in Chapter 7 filings in the Brooklyn branch of U.S. Bankruptcy Court, which includes Queens and Staten Island [filings.] In the Manhattan branch, which includes... the Bronx, Chapter 7 filings were up 59%. Bankruptcy attorneys say... bankruptcy filings are going up because New Yorkers are suffering increased pressure from rising debt and the slowing housing market."

Homebuilders And Housing Stocks

- [Centex Posts Wide Loss on \\$1B in Impairment Charges](#) (Jonathan Liss in Seeking Alpha, Oct. 24th): "Centex Corp. reported a worse-than-expected quarterly net loss of \$643.8 million (\$5.26/share), much worse than the -\$3.26/share analysts expected. A year ago, the company earned \$1.11/share. Behind the wide losses were \$983M in land value write-downs and impairment charges, announced earlier this month... Losses from continuing operations were also \$5.26/share, versus a gain of \$0.65 a year ago. The home building unit recorded losses of \$953M. Revenue fell 21% y/y, to \$2.22 billion; consensus analyst estimates expected revenue of \$2.08B. Southeast operations were especially poor, with a 32% reduction in revenue and closings down 26%. Nationally, closings fell 14%."
- [Microchip Profits Fall Due To Dip In Housing](#) (AZ Central, Oct. 24th): "Microchip Technology Inc. ([MCHP](#)) said Tuesday that its quarterly profit slid 24% as a result of the downturn in the U.S. housing market and the sale of a chip plant in

Puyallup, Wash. The Chandler chipmaker said it earned \$60.7 million, or \$0.27/share in Q2 compared with \$79.5M, or \$0.36/share, in Q2'06. The results included a \$26.8M write-down associated with the sale of the Washington plant and were in line with the revised company profit projections... President/CEO Steve Sanghi: "Our results were adversely impacted by weakness in the U.S. housing market and weakness in other segments of our consumer-related business."

- [Akzo May Punish Shareholders as Housing Slump Dogs Imperial Buy](#) (Bloomberg, Oct. 24th): "Akzo Nobel NV CEO Hans Wijers pledged higher dividends and a stock buyback to get investors to back his £8 billion (\$16.4B) purchase of paint maker Imperial Industries Plc. Tom Muller of Theodoor Gilissen Bankiers said he'll consider changing his "buy" rating on Akzo stock... The acquisition of ICI would make Akzo, the world's largest paint-maker, [into] the second-biggest paint maker in the U.S. after Sherwin-Williams ([SHW](#)). Akzo will add ICI's U.S. household-paints business, whose brands such as Glidden reported a sales drop in the past four consecutive quarters because of weakness in the U.S. housing market."
- [Veterans Cemetery on Way](#) (Philly Burbs, Oct. 23rd): "A national veterans cemetery is coming to Bucks County. On Monday Toll Brothers ([TOL](#)) got the green light to sell 200 acres of Upper Makefield farmland to the Department of Veterans Affairs. The Upper Makefield supervisors last week granted preliminary and final land development approval for Toll to build... homes on 111 acres of Upper Makefield farmland which sits adjacent to where the VA intends to construct a veterans cemetery. In all, Toll would build 170 homes in Upper Makefield and Newtown Township."
- [Beazer Changes Notes Solicitation Amendments](#) (Reuters, Oct. 23rd): "Beazer Homes USA Inc ([BZH](#)) on Tuesday said it has changed the proposed amendments under the solicitation of consent of holders of its \$1.525 billion outstanding senior and senior convertible notes and extended the previously announced solicitation date. Beazer said it was withdrawing the previously proposed amendment that would restrict Beazer's ability to secure additional debt in excess of \$700 million until certain benchmarks were met. It also said it was withdrawing an amendment to the definition of permitted investments that would enable Beazer to invest up to \$50M in joint ventures or unrestricted subsidiaries."
- [Builders Sweeten Deals To Sell Houses](#) (MSNBC, Oct.23rd): "Centex ([CTX](#)), which reported almost \$1bn (£500m, €700m) in property write-downs this month, has been offering buyers free patios, outdoor fireplaces and wooden arbours worth as much as \$33,000. "Inventory is stacking up and homebuilders need to move these houses quickly. There is an urgent need to cycle the capital that's tied up in these homes," said Ted Wilson, housing analyst at Residential Strategies.... In June, Centex treated about 200 estate agents to a lavish party. "Homebuilders are offering realtors extra commissions, trips abroad, you name it," said Dr Mark Dotzour, chief economist at Texas A&M University's Real Estate Center."
- [Elliott Building Group Selling All Assets](#) (Builder Online, Oct. 23rd) Pennsylvania: "The Elliott Building Group will auction off 14 residential and commercial developments in eastern Pennsylvania and southern New Jersey next month. The Nov. 7 auction signals the end of the company's attempt to reorganize under Chapter 11 bankruptcy protection filed in June. The builder's debt is estimated to be \$88 million... Since announcing the auction [and] bid deadline of Oct. 31, Elliott says there have been more than 350 inquiries from home builders, developers, and investors. According to Keen Consultants, the group hired to handle the public sale, more than 810 acres of residential and commercial land will be auctioned."
- [3 Bargain Stocks](#) (CNN Money, Oct. 23rd): "Third Avenue Management fund picks: Mortgage insurer Radian Group ([RDN](#)) already announced heavy losses related to investments in the subprime mortgage market. The stock... bottomed near \$15 this summer [down from \$70]. September SEC filing: TAM bought nearly 11% of Radian [and estimates] a book value of about \$50/share... TAM increased its long-held stake in urban developer Forest City Enterprises ([FCE](#)). The company has \$9.5 billion in assets and operates in more than 20 states, with key properties in New York, California, and Washington, D.C. Shares are well off their 52-week high of almost \$74, [and] "has so many promising projects in its pipeline that... over the next five years, Forest City has the potential to substantially increase NAV."
- [Toll Brothers Lowers Costs, Builds Network Security and Management With Novell](#) (CNN Money, Oct. 23rd): "The nation's leading builder of luxury homes, Toll Brothers ([TOL](#)), has chosen a portfolio of Novell solutions to protect confidential client data, standardize its desktops and reduce IT administration costs. A Fortune 500 company, Toll Brothers is using several Novell enterprise management solutions to strengthen security with centralized control of user access to client information and automated desktop management to minimize time spent updating and troubleshooting application software."
- [Golfcoursehome Network Announces Adding New Communities](#) (World Golf News, Oct. 23rd): "Three master-planned communities—two golf and one waterview—joined GolfCourseHome.net and the GolfCourseHome Network this week. Two of them, Heritage Todd Creek and Beacon Point, are Lennar ([LEN](#)) communities located near Denver, Colo. Both Lennar properties feature the 55+ active-adult lifestyle... Heritage Todd Creek, in the Colorado town of Thornton, boasts a rugged Rocky Mountain backdrop, golf by Arthur Hills and homes from the mid-\$300,000s... Beacon Point, newly added to the WaterViewHome.net site, has wide, appealing views of the Aurora Reservoir, plus Denver just beyond the doorstep and homes from \$300,000s."
- [Levitt and Sons Receives Default Notices](#) (Builder Online, Oct. 22nd): "SEC: the Levitt Corp. says its subsidiary, Levitt and Sons, has received default notices from Wachovia Bank and KeyBank. The company also reiterated that... the builder "is not currently in a position to cure any defaults that may arise." The first notice of default from Wachovia relates to a

\$125,000,000 land acquisition, development, and construction loan; the second Wachovia notice of default relates to a \$30,000,000 construction loan; the third Wachovia notice of default relates to a \$26,500,000 land acquisition, development, and construction loan; and the notice of default from KeyBank relates to a \$125,000,000 revolving land acquisition loan."

Commercial Real Estate and Real Estate Investment Trusts (REITs)

- [Strand Development Strong Amid Housing Slump](#) (Myrtle Beach Online, Oct. 24th) South Carolina: "Commercial construction is down across the Grand Strand, but local real estate companies report steady, if not increased, activity. Real estate companies [say] commercial development here is alive and well, despite the slowdown in the housing market. Gary Roberts, VP, business development for Coldwell Banker Chicora: Office buildings, shopping centers and private, nonresidential projects are cropping up, too... City spokesman Mark Kruea: Horry County issued 140 commercial permits through Q3, down from 236 in Q3'06. Georgetown County issued 66 permits through Q3, down from 73 in Q3'06. Myrtle Beach [issued] 54 during the F2006 [and] 47 during F2007."
- [Newell Rubbermaid Occupies 408,000 SF](#) (Globe St., Oct. 23rd): "Newell Rubbermaid, a global marketer of consumer and commercial products, has opened for business in a 407,612-sf bulk distribution facility at Southern California Logistics Centre. Newell Rubbermaid has signed a 10-year lease for the space with Stirling Capital Investments, which is a joint venture between Foothill Ranch-based Stirling Enterprises and Denver's DCT Industrial Trust Inc. Newell Rubbermaid becomes the first industrial tenant to occupy space during phase one development at SCLC, where the company will be warehousing imported goods from Asia. From there, it will redistribute its products throughout the US."
- [Commercial Property Slows But Doesn't Sink](#) (Myrtle Beach Online, Oct. 24th) New York: "In February, Macklowe Properties... financed the roughly \$7 billion purchase of eight Manhattan office buildings with little equity and heavy short-term debt. Real Capital Analytics: "Anyone expecting defaults on those loans will be disappointed," especially since Citigroup Inc., Bank of America Corp. and JPMorgan Chase & Co. [announced] they will pool money to buy distressed short-term debt in markets that were roiled this summer by a collapse in subprime mortgages securities... Fundamentals in the commercial market remain strong with rising rents and occupancy levels expected to continue, especially in metropolitan areas... Commercial markets are not in oversupply mode."

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