

The "Bubble"

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Lew Rockwell: A Crash In The Housing Market?

When it comes
to market bubbles, especially in markets as illiquid as real estate,
the old rule holds true:

"Things
are easier to get into than out of."

Conclusion

There are going
to be some real bargains available in housing over the next few years.
Desperate sellers without any equity remaining and without enough
disposable income to meet their monthly payments will walk away from
their homes. Fannie and Freddie will have to auction off these abandoned,
repossessed houses. This will put downward pressure on the market
value of homes.

When people lose
their home equity and are forced to move, where will they move to?
Rented housing. They will strive not to move more than one rung down.

The 1,700 square
foot, three bedroom, two bath home is the minimal home that a middle-class
American wants to live in. When this kind of home comes onto the market
as a foreclosure, it's time to start negotiating.

As for homebuilders,
they are the classic victims of optimism during the boom phase. When
they can't move their inventory, they have to sell. They have
few reserves, and interest costs eat them up. If you want to buy a
new home, bide your time. There will be plenty of them available at
fire sale prices in a year.

