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# The US Housing Market Update

## *Has the US housing market hit the bottom?*

| Text : Patrick William O'Neill | Photo : [www.stockxpert.com](http://www.stockxpert.com) |

The US housing market may be in recovery, but prices are still at or near the bottom. Since the market peaked in 2006, US national homes prices have fallen 32 percent, according to the Standard & Poor's Case-Shiller home price index annual report. The index also shows that home prices have rebounded, with gains of more than six percent reported at the end of 2009.

According to the National Association of Realtors (NAR) November 2009 report, the seasonally adjusted number of existing home sales was up 44.1 percent compared to last year and up 7.4 percent on the preceding month. The trend of increased sales began in 2008, and gains posted in nine of the last 12 months.

In hard-hit areas such as Southern California, Las Vegas, Phoenix and Florida, local real-estate

agents reported that the sales volume has been improving through 2009. "Although prices have not dramatically improved, we have certainly seen an increase in sales activity in the South Florida market," says Sandra Shine, a real-estate veteran in the state's Palm Beach County. "Buyers are looking for value but understand that these low prices will not last much longer."

While value retracements of more than 60 percent are common in the US's hardest-hit areas, prime cities like New York, Boston and Washington, DC experienced lesser discounting, in the ranges of 20 to 25 percent. These prime locations have also seen an explosion of sales volume according to the NAR report. Year-on-year, volume increases in New York were 44 percent, 58.2 percent in Boston and, 31.8 percent in Washington, DC.

"We believe the first quarter of 2009 will mark the bottom of the condominium market in Washington, DC," says Chris Ballard, co-founder of Washington, DC-based McWilliams Ballard real-estate firm which operates in the mid-Atlantic states. "The first quarter of 2010 is looking to be the strongest first quarter in over three years. It seems that many purchasers have been waiting for the right moment to buy and now, like we, sense that this is the bottom."

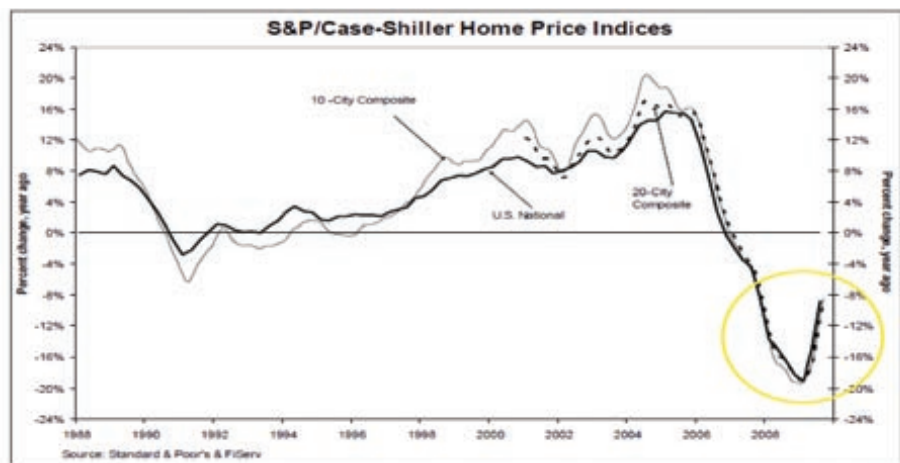
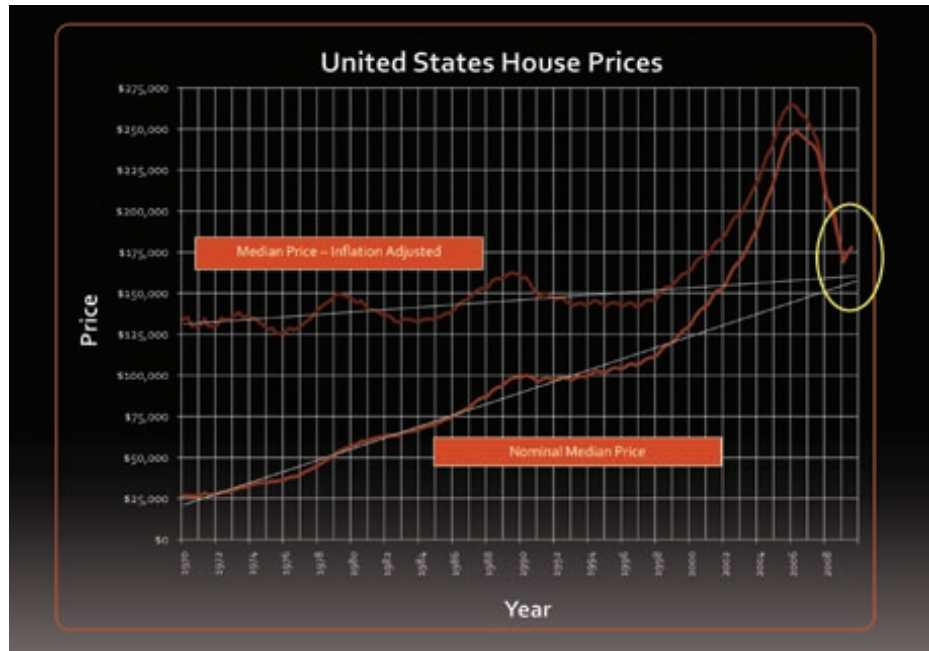
Another factor that is boding well for the US market is the amplified interest from international buyers. After contracting 2.2 percent in 2009, the global economy is projected to expand 2.7 percent fuelled in part by Asia, according to the World Bank. In a recent survey released by Barclays Wealth, the US is the number one country of interest for foreign purchasers. The combination of low prices, a weak US dollar

and low interest rates propelled the US past the second-placed countries, the UK and China.

US properties are also preferred by foreign purchasers as a result of the favourable tax treatment for foreigners. "Many of our Asian clients are surprised at the favourable tax treatment for US properties. Most of the tax benefits associated with investment property in the US are available to foreigners, making it a favourable place to own," says Agnes Chang, a US Certified Public Accountants and a senior tax consultant of the Hong Kong-based firm US Asia Tax & Business Services "For example, the federal long-term capital gains tax for properties held for over one year is 15 percent. This is the same rate for foreigners and US citizens. In places like Las Vegas, Nevada, or Florida, with no state income tax, only the federal rate of 15 percent may be applicable."

Sceptics point to the fact that 2009 benefited from several artificial stimuli. These included the federal tax credit, aggressive Federal Housing Administration lending policies and the low interest rates maintained by the Federal Reserve. It appears that 2010 will also benefit, as the Obama administration has obtained an extension to the tax credit and the Federal Reserve has indicated that rates will remain low throughout the year.

Market experts are following both job growth and new-home indices as indications of the fundamental strength of the housing market. Whether the US market has hit the absolute bottom may be debatable; however, both sceptics and optimists agree that the residential market is certainly poised for recovery sometime in 2010. 📍



## Contributor's Profile



Patrick William O'Neill has more than 25 years of international real-estate experience. He is the CEO of the O'Neill Group, a US-based firm that specialises in international residential and commercial real estate. The firm is currently working with individual and institutional clients in Asia, Australia, the UK and US. For more information, call 6234 9588 or visit [www.ogroupinternational.com](http://www.ogroupinternational.com).

