



Harry's Take

November 22, 2022

The Housing Crash of Our Lifetime Clearly Has Begun

I can hardly begin reading an article about home-price declines setting in before the article says, "This crash won't be as bad as the 2008 crisis." If that isn't naive, I don't know what is!

I formally got started in the economic forecasting business with my first book in late 1988 and my first newsletter in September of 1989. You simply can't be a useful or good forecaster if you have a bullish bias... with the exception of believing that markets go up near 70% of the time, which is simply reality.

I've found economists mostly useless precisely because they never want to see the downside: first, because people don't like to hear it and second, because these economists fear that forecasting any slowdown or economic challenges may feed into negative thinking and cause spending to drop.

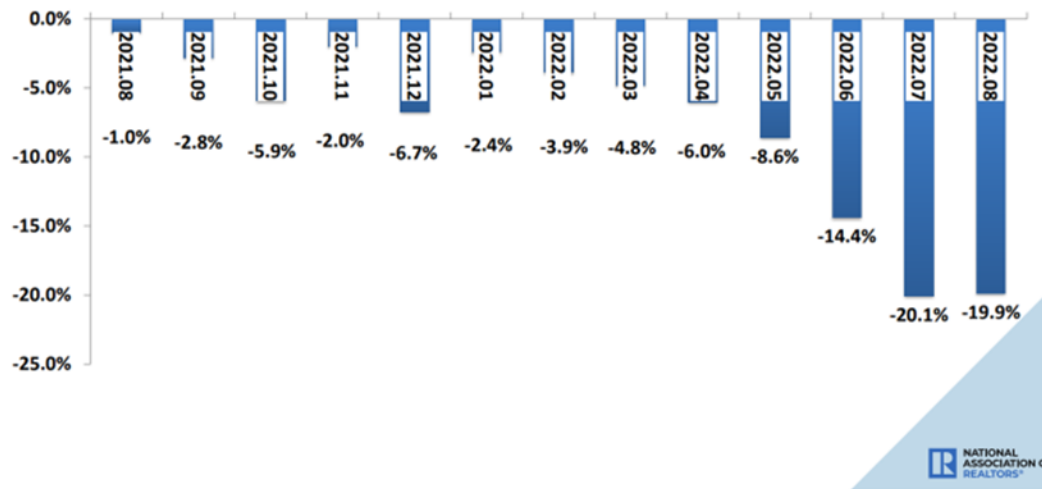
But there's simply no two ways about it. You can't have booms without busts and, generally, the greater the boom, the greater the bust. The busts are necessary to clear the dead wood out to keep the system growing healthfully. It works just like forest fires. Park rangers most often let such fires burn, because ultimately it will help renew the forest. But economists don't understand that such wisdom also applies to the markets; they see recessions as the enemy, not as a cleansing agent.

For the only time in modern history, a second housing bubble as great or greater than the previous one has followed immediately after that first

bubble. This occurred directly because of the greatest 13-year money printing and stimulus program ever, on a massive scale.

Home Sales Finally Declining Seriously Since June: Burst Has Begun

Total Existing Home Sales, Percent Change Year-Over-Year



Source: <https://cdn.nar.realtor/sites/default/files/documents/ehs-08-2022-summary-2022-09-21.pdf>

www.hsdent.com

There will be no going back once home sales have decelerated so fast, and the last, unprecedented, 34% burst from 2006 into 2012 is still fresh in homeowners' minds. And I am forecasting that this drop will be more like 50%, which means we will be seeing a greater banking and financial crisis than in 2008–2009; it will be more like 1930–1933.

This 50% projection is merely home prices returning to the last lows of early to mid-2012, retracing only 10 years of the massive boom that started in the early 1980s and lasted about 40 years, similar to what happened with stocks. The stock crash of 86% on the S&P 500 that I am predicting will be a return merely to the early 2009 stock lows of just 13.5 years back.

Don't expect the Fed to be able to reverse its new course of tightening, a forced response to its overreaction to COVID with stimulus. To do that now would make them look reckless and hysterical. By the time they do react early next year... it will simply be too late.

Home sales freeze up fast when they get weak, and it will be hard to sell at any reasonable price once the crash becomes more obvious. So, if you have any real estate left that you don't absolutely want or need, don't hesitate to sell it before year-end, which would be the only realistic reaction here.

Harry

Got a question or comment? You can contact us at info@hsdent.com.