



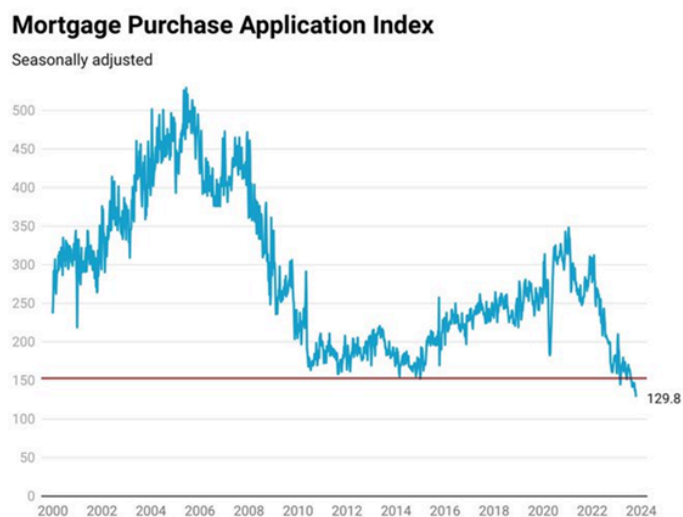
# Harry's Take

May 28, 2024

## Home Purchases Already Below Lowest Levels of 2006-2012 Crash

In the last major crash and recession of 2008, home sales peaked in early 2006, crashed into late 2009, and then continued around those lows into early to mid-2012 before the crash ended. By then, home values had dropped 34% on average. It was the biggest real estate crash in U.S. history, greater than the 26% decline during the Great Depression. Mortgage loans were much harder to get in the Roaring '20s, and loans typically had a 5-year term and required 50% down. Housing didn't bubble nearly as much as stocks back then; hence, the more modest crash.

## Mortgage Purchase Index Already Lower Than Worst of 2006-2014 Cycle



The red line marks the low point at the bottom of the GFC era bust

Chart: Lance Lambert • Source: The Mortgage Bankers Association • Created with Datawrapper



This chart shows that mortgage purchase applications, which obviously track sales, took even longer to bottom into early 2015. Banks were slow to return to easy lending policies, so more cash purchases came out of that deep recession. This index crashed from around 550 to 150 into late 2009 and then bounced to around 350 before collapsing to the current level, 129.8... and this is before the recession officially has started!

This time we are likely headed close to zero, and that's just to get back down to my best target, the 2012 lows. The average house value is likely to crash more like 57% this time around. If this occurs in the next two years or so as I expect, it will devastate the great majority of households who are homeowners and will create the banking crisis and depression of our lifetimes. The Fed has pushed this necessary crisis off for three years with its unprecedented 13-year stimulus program, as the crisis would have occurred naturally (were there no intervention) between 2020 and 2022.

But in the end, the Fed created an unacceptable level of inflation, which forced it then to tighten as much as in 1980-1981. Back then, the tightening created the greatest recession since the Great Depression. That means we very likely soon will see the first and only Great Depression of our lifetimes. Will the central bankers be able to soften this one substantially, or will they finally lose control? I am rooting for them to lose control, allowing the free-market system to restore itself again, albeit painfully, while ending the second great bubble for good this time so we can get back to normal.

Don't wait to find out. Get as defensive as you can in your financial assets, especially in your real estate, which gets harder to sell quickly.

Harry

*Got a question or comment? You can contact us at [info@hsdent.com](mailto:info@hsdent.com).*