



Is the U.S. Housing Boom About to Bust?

While interest rates remain low, opportunities prevail, reveals Ipsos-Insight survey

February 26, 2004, New York, NY – Over the last three to four years, home buying, mortgages, and re-financing have been the engine of growth for the U.S. economy, but there has been growing concern that the market has been satiated and the home sector boom is about to bust. However, many consumers are still planning to buy homes, to take out home equity loans, or to refinance, and more first-time home buyers are planning on entering the market this year, according to a survey by Ipsos-Insight, the global marketing research firm.

In the representative survey of 1001 Americans fielded earlier this month, twelve percent of respondents indicated that they plan to purchase a home in 2004. "While most experts have predicted 2004 home sales will drop off from the all-time record sales seen in 2003, consumer intentions seem to indicate that if there is in fact a sales decrease, it may only be a slight decline" said Greg Mahon, a financial services expert and Senior Vice President with Ipsos-Insight.

"It's important to note that we are expecting, from an historical perspective, 2004 to be a very strong year again for mortgages," said Mahon. "Mortgage banking and brokerage companies should plan accordingly to ensure they can take full advantage of this year's expected fee income opportunities."

Of the respondents intending on purchasing a home in 2004, more than 4 in 10 (43%) are planning on purchasing a newly constructed home, while 57% are planning to buy an existing home. Further, nearly half (48%) of the respondents intending to buy a home are entering the market and do not currently own a home.

"Financial institutions that rely heavily on lending haven't been earning the high interest to which they've been accustomed, so they need to continue to capitalize on demand in order to generate strong growth in 2004," explained Mahon. "Fortunately, new home buyers have been continuously entering the market over the last three to four years, and this trend looks like it will persist into 2004."

Those consumers who already own homes and are not looking to purchase this year are still capitalizing on low interest rates. The survey results reveal that many homeowners plan to use the equity in their home to secure loans and lines of credit or to refinance this year. Seven percent of survey respondents intend on securing equity, either with a home equity loan (51%) or a home equity line of credit (49%). In the past three years, 36% of survey respondents have re-financed their home, and a further 9% of survey respondents intend to re-finance their home in 2004.

"Our findings indicate that there is still tremendous opportunity, so long as interest rates don't rise substantially," added Mahon. "Currently, all indications seem to suggest that rates will remain stagnant for the next six months, which portends favorably for consumers, financial services companies, and the U.S. economy."

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**Methodology**

Data were gathered using the Ipsos U.S. Express from February 13-15, 2004. Interviews were conducted via telephone among a nationally representative U.S. sample of 1,001 adults age 18 and older, of which 647 respondents were homeowners.

Ipsos-Insight

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