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Monday, December 31, 2007

Home prices see record drops in October

Home Prices in 11 Large Metro Areas Posted Record Declines



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By **Noelle Knox, USA TODAY**
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Home prices in 11 large metro areas posted record declines in October, according to data released Wednesday, more evidence that 2007 was one of the worst real estate markets since the year the United States entered World War II.

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Reflecting tighter lending standards and a huge number of homes for sale, the S&P/Case-Shiller composite index of home prices in 20 cities slid 6.1% compared with October of last year, led by Miami, Tampa, Detroit and San Diego.

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Prices in Atlanta and Dallas dipped for the first time during the current downturn. This was the 10th month in a row that the index has shown negative annual price comparisons, and the results are getting worse. The index was down 1.4% from September to October.


"When was the last time we had a bigger drop than this? It looks like 1941," Robert Shiller, economics professor at Yale University and co-developer of the index, said in an interview.

Before Pearl Harbor was bombed on Dec. 7, "The U.S. wasn't in the war yet, but it sure looked bad. Hitler was raging in Europe. ... You didn't want to be buying a house then."

Today, the primary force behind the real estate recession is the almost year's supply of homes for sale. Many are being heavily discounted by builders, speculators and lenders who have become owners through foreclosure.

Shiller said he expects prices to fall another 5% to 7% next year.

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While it's clearly a buyers' market, demand is being constrained by mortgage lenders, who got burned by their own reckless lending of recent years. Now, home shoppers with a poor record for paying bills on time and little saved for a down payment are having serious difficulty getting a loan.

"A lot of (buyers) haven't come to the realization that the subprime market no longer exists," said Ritch Workman of Workman Mortgage in Melbourne, Fla. "Mortgage brokers are turning away more and more borrowers."

Anyone with a credit score below 620, which is subprime territory, he said, "will pay through the nose" to get a mortgage.

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