

10 housing markets ready for a fall

36 of the 100 biggest markets are expected to see price declines. Here are the markets with the worst prospects in 2007.

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NEW YORK (Fortune) -- This time last year the big question was whether the real estate market was going to slow down. Today it's "How bad will it get?"

The numbers tell a confusing story. For existing homes, buyers are trickling back into the market - sales inched upward in October even as the median home price fell by 3.5 percent, the largest year-over-year drop on record. And that comes after price declines in August and September.

On the new-home front, sales in October fell, but the median price crept upward. For homebuilders, cancellations are up and orders down.

"It's possible that the broader housing market will firm in the next few months, that the worst is over," says Mark Zandi, chief economist at Moody's Economy.com. "But that to me is a dead-cat bounce." In a word, yikes.

So Fortune asked Zandi's group and real estate valuation company Fiserv Lending Solutions to give us their take on what lies ahead for housing in the country's 100 largest metropolitan areas.

The picture, as you probably have guessed, isn't pretty. In 2007, 36 of the 100 biggest markets are expected to see price declines. For 2008 that number rises a notch to 37.

The area poised for the biggest fall in 2007? Stockton, Calif., where prices are expected to drop by 7.1 percent and another 5.3 percent in 2008. If the forecast holds true, a home purchased in Stockton today for \$350,000 will be worth a mere \$307,917 two years from now. And that doesn't account for the additional toll inflation can take on the true value of your asset.

Next in line to take a turn for the worse: Las Vegas, where our forecasters think prices will sink 6.6 percent next year and another 8.1 percent in 2008.

[See forecasts for 100 markets.](#) ■

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Metro area	2007 projected price change	2008 projected price change	Median home price
<u>Stockton, Calif.</u>	-7.10%	-5.30%	\$427,340.00
<u>Las Vegas</u>	-6.60%	-8.10%	\$314,380
<u>Bakersfield, Calif.</u>	-5.50%	-6.60%	\$310,820
<u>Santa Ana - Anaheim</u>	-5.50%	-4.50%	\$710,810
<u>Los Angeles - Long Beach</u>	-5.40%	-4.60%	\$533,740
<u>Miami - Miami Beach</u>	-4.90%	-7.50%	\$371,660
<u>Sarasota - Bradenton, Fla.</u>	-4.80%	-0.80%	\$312,720
<u>Oakland</u>	-4.60%	-2.40%	\$673,800
<u>Fresno</u>	-4.60%	-4.30%	\$353,820
<u>Fort Lauderdale</u>	-4.30%	-4.30%	\$366,860

Check out the projected best and worst real estate markets for 2007 in this article on CNN. The South and Southwest may boast 12 of the 20 hottest markets in 2007. Texas alone have seven of the projected hottest markets for 2007:

1. McAllen-Mission, TX
2. El Paso, TX
3. San Antonio, TX
5. Ft. Worth-Arlington, TX
7. Houston, TX
8. Austin, TX
9. Dallas-Irving, TX