

Home price declines deepen in major U.S. markets

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Damage from the housing bust is spreading to areas once thought to be immune.

In at least 14 major U.S. metro areas, prices have fallen to 2003 levels — when the housing bubble was just starting to inflate. Prices will likely drop further this year, making many people reluctant to buy or sell. That would push down sales and prices more.

The depressed housing industry is slowing an economy that has shown strength elsewhere. And it's starting to hurt those who bought years before the housing boom began. In some cities, people who have paid their mortgages for a decade have little or no home equity.

Prices have tumbled in familiar troubled spots, such as Las Vegas, Cleveland and Detroit. But they're also at or near 10-year lows in Denver, Atlanta, Chicago and Minneapolis — cities that weren't as swept up in the housing boom and bust.

"It's been tough on the lower class, but it's filtering up," said Paul Dales, senior U.S. economist with Capital Economics. "It may be only a matter of time before it hits the wealthy."

Prices fell from December to January in all but one of the 20 cities tracked by the Standard & Poor's/Case-Shiller home price index.

The index, a gauge of national home prices, dipped for the sixth consecutive month. Prices in 11 of the cities are at their lowest point since the housing bubble burst.

Austin's housing market has done better than that of many other cities. While it is not part of the Case-Shiller index, the median price for resale homes last month was \$193,000, up 2 percent from a year ago.

The report measures prices relative to those in January 2000. For each of the 20 metro areas it studies, it provides an updated three-month average price.

"The housing market recession is not yet over, and none of the statistics are indicating any form of sustained recovery," said David Blitzer, chairman of the Index Committee at Standard & Poor's.

Weak home sales and falling prices are imposing a heavy burden on the economy, which has gained strength from higher consumer spending. Applications for unemployment benefits are at pre-recession lows. Manufacturing activity is growing at its fastest rate in seven years.

By contrast, sales of previously occupied homes are coming off the worst year in more than a decade. And new homes are selling at the slowest pace on records dating back to 1963.

In part, the weakening prices show how much a tax credit for homebuyers stimulated sales in late 2009 and early 2010. Once those tax credits expired in April, many markets began a decline that has shown no sign of stopping. Some economists say the tax credits merely postponed the bottoming out that's occurring now.

Millions of foreclosures and short sales are largely to blame. Short sales occur when lenders let homeowners sell for less than they owe on their mortgage. These cut-rate sales have left a glut of discounted properties in many markets. Prices are unlikely to stop falling until they are cleared.

Additional material from staff reports.

Courtesy of JB Goodwin