

# The coming housing bust?

## Moody's says national home prices will fall in '07 in broad decline.

By Martin Crutsinger  
ASSOCIATED PRESS  
Wednesday, October 04, 2006

WASHINGTON — Housing prices, slumping after a five-year boom, are projected to decline in more than 100 of the nation's metropolitan areas, with the Northeast, Florida and California among taking the hardest hits.

The forecast by Moody's Economy.com, a private research firm, presents one of the starkest views yet of the housing slowdown that has been gathering force in recent months.

In a report to be released today, Moody's projects that the median sales price for an existing home will decline in 2007 by 3.6 percent, which would be the first decline for an entire year in home prices since the Great Depression of the 1930s.

**Austin is not on Moody's list of 133 cities expected to experience a decline. So far, the Central Texas housing market has not followed the national trend. Sales prices here were sluggish in the early part of the decade but have gained strength recently while the housing market nationally has begun to weaken.**

The report said Texas, the Southeastern states other than Florida and much of the Midwest Farm Belt should be immune from price declines, although increases were expected to be modest.

The report projects that 133 of the nation's 279 metropolitan areas will suffer price declines. That is quite a contrast from the past five years, when low mortgage rates pushed sales to five consecutive annual records and prices in the hottest sales areas skyrocketed.

But this year, the once red-hot housing market has cooled significantly. Some analysts are worried that the slowdown could become so severe that it could drag the entire country into a recession, much as the bursting of the stock market bubble in 2000 led to the 2001 slump.

The housing report said the biggest percentage price decline will be in Danville, Ill., where prices have already fallen by 18.7 percent from the peak in the second quarter of 2005 to a low point in the first three months of this year. That setback occurred because of layoffs in autos and other manufacturing industries, which depressed the local economy.

The second-biggest decline is projected to occur in the Fort Myers, Fla., area, a fall of 18.6 percent from the peak in the final three months of last year to a low-point for prices that is projected to occur in the second quarter of 2007.

The 133 areas with slumping prices are concentrated in the states of California and Florida and the Northeast corridor from southern Maine to just south of Washington, as well as boom areas of Nevada and Arizona and some depressed sections of the Midwest such as Detroit.

The report said the most vulnerable areas for price declines were those regions where red-hot markets attracted speculators known as "flippers," who purchased homes in hopes of selling them fast for a quick profit.

Biggest drops likely.

The 10 metropolitan areas projected to have the largest declines in median housing prices.

**Metropolitan Area % chng.**

**Danville, Ill. -18.7**

**Cape Coral-**

**Fort Myers, Fla. -18.6**

**Reno-Sparks, Nev. -17.2**

**Merced, Calif. 16.1**

**Stockton, Calif. -15.7**

**Sarasota-Bradenton-**

**Venice, Fla. -14.0**

**Naples-**

**Marco Island, Fla. -13.8**

**Tucson, Ariz. -13.4**

**Las Vegas-**

**Paradise, Nev. -12.9**

**Chico, Calif. -12.6**

Source: Moody's Economy.com