

Record home price slump

Fourth-quarter report from National Association of Realtors shows largest price drop on record as markets with price declines now outpace those with gains.

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NEW YORK (CNNMoney.com) -- The slump in home prices was both deeper and more widespread than ever in the fourth quarter, according to a trade group report Thursday.

Prices slumped 2.7 percent in the fourth quarter compared to the fourth quarter a year earlier, according to the report from the National Association of Realtors (NAR). That's the biggest year-over-year drop on record and follows a 1.0 percent year-over-year decline in the third quarter.

In addition, 73 metropolitan areas reported a decline in the fourth quarter, compared to a year earlier. That outpaced the 71 that saw a gain. It was both a record number and percentage of markets showing a decline in the group's quarterly report. Five markets saw prices unchanged.

That decline was a far more widespread than the third quarter, when only 45 markets reported drops and 102 saw gains, or the second quarter when only 26 saw a year-over-year slump in prices. The national median price was still showing a year-over-year gain in the second quarter.

The most recent median prices are down even more: 3.4 percent since hitting record highs in the second quarter. Almost three-quarters of the markets, reported on by the group, saw declines in median prices over the past six months, with eight reporting double-digit declines.

Vacation markets, where investor-buyers had driven up prices during the building boom of 2005, were particularly hard-hit.

The Sarasota-Bradenton-Venice, Fla., market saw the biggest year-over-year decline in the fourth quarter, with prices plunging 18 percent.

When looking at the change between the fourth quarter and the second-quarter peak, the Palm Bay-Melbourne-Titusville, Fla., market saw the biggest drop, with median prices plunging 19.5 percent.

But the weakness in prices wasn't restricted to those kinds of markets. Springfield, Illinois, reported a 16.2 percent drop in the fourth quarter compared to the third quarter, the biggest decline during that time frame, along with a 10.4 percent decline compared to a year earlier.

Still, the trade group statement said it believed that the worst was over for the drop in prices.

"Examination of data within the quarter shows home prices stabilizing toward the end," said a statement from David Lereah, the NAR's chief economist. "When we get the figures for this spring, I expect to see a discernable improvement in both sales and prices."

Part of the decline in prices was attributable to the drop in sales pace. Total existing home sales, including single-family and condo, were at a seasonally adjusted annual rate of 6.24 million units in the fourth quarter, down 10.1 percent from a 6.94 million-unit level in the fourth quarter of 2005.

And the slower pace of sales, coupled with investor-buyers from 2005 trying to sell homes and condos they had bought, created a glut of homes on the market, according to other real estate readings, which also fed into the decline in home prices.

NAR President Pat Vredevoogd Combs, a Grand Rapids, Mich., realtor, admitted the group doesn't expect to see a big gain in 2007 statistics.

"Right now, buyers are responding to seller pricing and incentives, and there's a bit of a pent-up demand as a result of buyer hesitation during the second half of 2006," she said in the group's statement. "We're not looking for big changes, but a gradual rise in sales and home prices is projected - that will be good for the overall housing market and related industries."

She said that since most homeowners stay in a home six years on average, a look at five-year price gains shows most homeowners are doing OK despite the recent weakness. The median five-year price gain is 41.8 percent, according to the group's figures.

The nation's leading homebuilders have all reported declining prices for new homes, which are not captured in this report. [KB Home \(Charts\)](#) reported a net loss of \$49.6 million, or 64 cents per share, for the fiscal fourth quarter ended Nov. 30, earlier this week. Other leading builders reporting weakness in prices include [Lennar \(Charts\)](#), [Pulte Home \(Charts\)](#), [Centex \(Charts\)](#), [D.R. Horton \(Charts\)](#) and [Toll Brothers \(Charts\)](#).

The most expensive market in the latest report was San Jose-Sunnyvale-Santa Clara, Calif., where the median home price \$760,000. That was up \$20,000, or 2.7 percent, from a year earlier but down \$19,000, or 2.4 percent, from the third quarter and off \$35,000, or 4.4 percent, from the second-quarter peak.

The cheapest market was Elmira, N.Y., where the median price was \$78,400. That was off 0.5 percent from a year earlier and down 16.2 percent from the third quarter, which is when prices there peaked.

Despite the record weakness, there were some markets that showed strong price gains. The best was Atlantic City, N.J., where the median price was \$339,800, up 25.9 percent compared to a year earlier.

Courtesy of JBG Goodwin Realtors