

# Home prices see sharp dip

## A new government report reveals declines that are steeper than usual - even for this market.

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NEW YORK (CNNMoney.com) -- Home prices continued to plunge in November, according to a new government report released Thursday.

The Federal Housing Finance Agency (FHFA) reported that home prices fell a record 1.8% for the month, compared with October, declining at an annualized rate of nearly 20%. That follows losses of 1.2% and 1.1% in the two previous months. **For the 12 months ended November 30, prices fell 8.7%, which was the largest 12-month price drop ever for the 17-year-old index.**

"We've been seeing an acceleration in the rate of housing-market decline," said Mike Moran, a real estate analyst with Daiwa Securities.

Normally, declines on the FHFA index (formerly known as the Office of Federal Housing Enterprise Oversight Index), have been much more modest than other price gauges, like the [Case-Shiller Home Price Index](#).

That's because the FHFA index tracks the purchase price of homes bought with so-called conforming mortgages - generally loans of \$417,000 or less - which are sold to or guaranteed by mortgage giants Fannie Mae ([FNM](#), [Fortune 500](#)) and Freddie Mac ([FRE](#), [Fortune 500](#)). The Case-Shiller index, however, covers all purchases in a given area, including more expensive homes that were more prone to huge runups during the bubble, and have since seen steep declines.

Additionally, the FHFA index also has broader geographic reach, extending into rural counties that tend to have more stable prices than the urban areas that Case-Shiller surveys.

From bad to worse

Considering all these factors, the fact that the November FHFA index posted such a large drop is especially troubling, although perhaps not surprising.

"The news in the housing markets has just been dreadful," said Moran.

That bad news includes [foreclosure rates](#) that are still on the rise, [record-low homebuilder sentiment](#) and reports of [modified mortgages quickly going bad again](#).

According to FHFA, the Great Plains and prairie states of North and South Dakota, Nebraska, Kansas, Iowa, Missouri and Minnesota were the worst-hit U.S. regions in November. Prices there dropped a whopping 2.7%. New England, where prices inched down 0.7%, had the narrowest losses.

"A lot of the declines we're observing are due to the rising number of post-foreclosure sales," said FHFA senior economist Andrew Leventis. "Obviously, there's a lot of pessimism out there right now," he said. "The pessimists may be driving the car now."

[Turmoil in the financial markets](#) is probably exacerbating the situation. "That may also be having a psychological effect on buyers," said Leventis.

**Mike Moran was also troubled by a very negative housing starts report, which was released on Thursday. Housing starts [tumbled to record lows](#), down 10.7% in December, falling to lowest level since the government started tracking them in 1959.**

"If you want to take an optimistic spin," he said, "you could say that the adjustment process has been quickening and we're that much closer to the bottom."

**Courtesy of JB Goodwin**