

# Home prices: More pain to come

## Expected drop in home prices nearly double estimate of two months ago; recovery more than year away.

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NEW YORK (CNNMoney.com) -- The outlook for home prices this year - already expected to post the first drop on record - got worse Wednesday as an industry group cut its forecasts for sales and prices for 2007.

The National Association of Realtors said it now sees the median price of existing homes sold falling 1.3 percent this year. That's almost twice the 0.7 percent drop forecast just two months ago, and is worse than the 1.0 percent drop in prices it estimated in May.

As recently as March, the group was forecasting a 1.2 percent rise in the median existing home price for this year.

New home prices are now expected to sink 2.3 percent, according to the group's report, much worse than its previous forecast of essentially flat prices for the year.

If home prices fall as is now expected, it will be the first time that's occurred in the nearly 40 years the group has tracked home sales.

The Realtors also now expect there to be 6.18 million existing homes sold this year, down 1.7 percent from its estimate a month ago, and down 4.6 percent from 2006.

The pace of new home sales is expected to fall to 860,000 this year, essentially flat from the estimate of a month ago, but down 18 percent from 2006 sales.

"Overall housing levels are historically strong, but sales remain sluggish compared to the recent boom," Lawrence Yun, the Realtors' senior economist, said in the latest forecast. "Home sales will probably fluctuate in a narrow range in the short run, but gradually trend upward with improving activity by the end of the year."

Still, the group is expecting a rebound in sales and prices in 2008. It now expects that median prices for existing homes to climb 2.6 percent next year, although most of that gain won't come until the second half of 2008.

And sales are seen up 3.7 percent, although that would leave them well below the sales seen from 2003 through 2006.

Adam York, economic analyst for Wachovia, said the forecast decline in home prices may overstate the weakness in home values, but he also doesn't see a quick turn around in the battered real estate market.

"Inventory is still elevated. There is still some excess inventory we do need to work through," he said. "Whether it happens as a result of time or decline in prices remains to seen."

The nation's leading home builders, including [Lennar](#) ([Charts](#), [Fortune 500](#)), [D.R. Horton](#) ([Charts](#), [Fortune 500](#)), [Pulte Home](#) ([Charts](#), [Fortune 500](#)), [Centex](#) ([Charts](#), [Fortune 500](#)), [KB Home](#) ([Charts](#), [Fortune 500](#)) and [Toll Brothers](#) ([Charts](#), [Fortune 500](#)), have all been hurt by the sharp downturn in demand for both new and existing homes.

**Courtesy of JB Goodwin**