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Home prices falling in two-thirds of all cities

Home values are falling in two-thirds of American cities -- the first time that's happened since the effects of the mortgage crisis hit early last year.

The National Association of Realtors' latest report shows the median sales price in 100 of the 149 markets it tracks was lower during the first three months of 2008 than the first quarter of 2007.

That's a significant increase from the 77 markets that posted declines in the fourth quarter of 2007.

National home equity rates
7/27/2008 3:10:39 PM

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And where things are bad, they are very, very bad.

Home values fell 29.2% in Sacramento, more than in any other city in the country. But 28 cities, including Los Angeles, Minneapolis-St. Paul and Washington, D.C., saw prices drop more than 10%.

Florida and California continued to suffer serious and widespread declines, with median prices now falling in every city -- the first time that's happened since the mortgage crisis began in late 2006.

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The median price for all types of single-family homes sold across the country fell 1.4% last year to \$218,900, the first annual decline since the Realtors began keeping records in 1968.

The group projects home prices will decline another 2.4% to \$213,700 this year before rising 4.1% to \$222,600 in 2009.

But the PMI Group Inc., the country's second-largest mortgage insurer, says there's a good chance prices will continue to fall in the hardest-hit markets through 2010.

Cities that already have registered some of the largest price drops, including Orlando, Miami, Las Vegas and Riverside-San Bernardino-Ontario, Calif., are most at risk for further declines.

The Realtors blamed soaring foreclosure rates, primarily on costly subprime mortgages, for burdening the market with a large number of vacant homes.

Lenders almost always sell those homes at a discount, dragging down prices for all sellers, most notably in Midwestern industrial towns and Sun Belt cities.

The group also said tighter lending standards prompted by the growing number of defaults and foreclosures on subprime loans kept some buyers from qualifying for mortgages.

Borrowers with bad credit or those who needed especially large sums of money have had the most difficult time obtaining mortgages. The average cost of a jumbo loan -- anywhere from \$417,000 to \$729,500, depending on the location -- has remained above 7% since last summer, depressing the sale of high-end housing.


While all of that is discouraging, it doesn't necessarily mean homes have become bad investments. Even with the decline, homes have increased in value over the last six years.


Homeowners who bought in the first quarter of 2001 have seen their values increase an average of 23.8%, adding \$37,700 to their equity.

And what about the 48 cities where prices were still rising during the first three months of 2008?

Those are mostly small- to medium-size markets, such as Binghamton, N.Y., and Spartanburg, S.C. The former showed the biggest home price increase (11.8%), boosting the median sales price to

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By Erin Brereton

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