

Home prices drop in September, reversing months of gains

By Julie Schmit, USA TODAY

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U.S. home prices slipped in September, and more declines are likely as the housing downturn nears its sixth year.



By Rick Bowmer, AP

A home for sale in Portland, Ore., one of three cities in the index to show a price gain in September.

Home prices fell 0.6% in September from August and were down 3.6% from September last year, according to Standard & Poor's Case-Shiller home price index of 20 leading U.S. cities.

Nationally, third-quarter home prices were at early 2003 levels, S&P says.

Further price declines this year and perhaps next are expected, economists say, because:

- **Foreclosures remain high.** Nationwide, 12.6% of home loans were delinquent or already in foreclosure at the end of the third quarter, according to the [Mortgage Bankers Association](#). That equates to more than 6 million distressed homes.

Home prices

Metro area	Index Sept. 2011	Chg. from Aug.	Chg. from Sept. 2010
Atlanta	95.99	-5.9%	-9.8%
Boston	154.39	-0.8%	-1.2%
Charlotte	112.43	-0.9%	-2.6%
Chicago	118.49	-0.8%	-5.0%
Cleveland	100.58	-1.2%	-3.1%
Dallas	116.54	-0.6%	-0.8%
Denver	125.44	-0.8%	-1.5%
Detroit	73.17	-0.5%	3.7%

Las Vegas	93.8	-1.4%	-7.3%
L.A.	168	-0.8%	-4.2%
Miami	139.83	-0.7%	-4.0%
Minneapolis	114.65	-0.9%	-7.4%
New York	169.92	0.1%	-2.6%
Phoenix	100.22	-0.2%	-6.5%
Portland	136.1	0.1%	-5.7%
San Diego	153.72	-0.8%	-5.4%
San Fran.	133.22	-1.5%	-5.9%
Seattle	135.59	-1.1%	-6.5%
Tampa	127.37	-1.5%	-6.7%
Washington	188.07	1.2%	1.0%

The indexes have a base value of 100 in January 2000; so an index value of 150 translates to a 50% appreciation since then for a typical home in the market.

Source: S&P Indices and Fiserv

Foreclosed homes typically sell at a deep discount. In October, foreclosed or short-sale homes made up 28% of existing home sales, the [National Association of Realtors](#) says.

•**Many borrowers are underwater.** More than 22% of homeowners with a mortgage owe more on the home than it is worth, market researcher CoreLogic reported Tuesday. That's 10.7 million borrowers. Another 2.4 million had less than 5% equity in their homes, CoreLogic says.

When homeowners are underwater, they're less able to sell homes and buy new ones — a key driver of housing demand.

•**Job growth is anemic.** The unemployment rate has remained in a narrow range of 9% to 9.2% since April.

Much stronger job growth is needed to boost consumer confidence, which fell to recession-level lows last month but picked up this month, the [Conference Board](#) reported Tuesday.

"It's moving in the right direction but off a very low base," says [Stan Humphries](#), chief economist of real estate website Zillow.

He says home prices may bottom next year but then remain flat for three or four years. Or, they may fall throughout next year and then flatten for two or three years.

The biggest factor likely to affect prices is the pace at which lenders push homes through the foreclosure process. The backlog of distressed homes has grown in the past year as lenders delayed or slowed foreclosures because of new state or court rules.

For the third quarter, the Case-Shiller national index shows home prices down 3.9% from the same period last year. That was an improvement over the 5.8% year-over-year decline in the second quarter, S&P says.

What's more, the annual rate of change in 14 of the 20 Case-Shiller cities improved in September vs. August. That means prices fell by smaller percentages in most of the cities. Detroit and Washington were the only two cities to show prices up in September year-over-year. They were up 3.7% in Detroit and 1% in Washington.

"The plunging collapse of prices seen in 2007 to 2009 seems to be behind us," says David Blitzer, chairman of the S&P index committee. "Any chance for a sustained recovery will probably need a stronger economy."