

THE WALL STREET JOURNAL.

WEDNESDAY, JUNE 23, 2010 - VOL. CCLV NO. 145

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Outlook for Housing Prices Worsens

By JAMES R. HAGERTY

Housing analysts have grown gloomier about the outlook for U.S. home prices as sales slump, a new survey shows.

The monthly report by MacroMarkets LLC, due for release Wednesday, found that 56% of the 106 economists and other analysts surveyed expect home prices to decline this year. That is up from 40% a month ago.

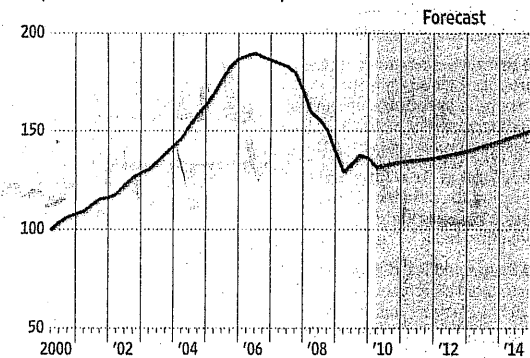
In a separate report Tuesday, the National Association of Realtors measured completed resales of homes in May at a seasonally adjusted annual pace of 5.66 million units, down 2.2% from April, though up 19% from a year earlier.

Federal tax credits of as much as \$8,000 for home buyers spurred sales in recent months. To qualify for those credits, buyers had to sign purchase contracts by April 30. The Realtors' data for May reflect completions of sales, most of which were based on contracts signed in March or April.

Since April 30, new purchase contracts have plunged as buyers no longer have the incentive of a federal tax break, builders and real-estate agents say. Lawrence Yun, chief economist for the Realtors, estimated that contracts signed in May were 10% to 15% below the weak level

Slow Recovery

S&P/Case-Shiller U.S. national home-price index.



Note: Forecast based on a survey of 106 analysts
Source: MacroMarkets

of a year earlier.

Ronald Peltier, chief executive officer of HomeServices of America Inc., which owns real-estate brokerages in 21 states, said new home-purchase contracts in May and June so far are down about 20% from a year earlier. The tax credit accelerated sales that otherwise would have occurred later in the year, Mr. Peltier said.

Terry Loeb, managing director of MacroMarkets, a developer of investment and hedging

products based in Madison, N.J., said he believes housing analysts generally have grown more cautious because of the weak national employment data reported in early June and the sharp drop in sales and housing starts since April.

Among the economists who reduced their forecasts for home prices this year was Scott Anderson of Wells Fargo.

"We're seeing a loss of momentum" in housing demand since the expiration of the tax

credit, he said, and that lull could last until next spring. The job market remains weak, he added, and foreclosed homes continue to weigh on the housing market.

Last week, the Commerce Department reported that May construction starts on single-family homes fell 17% to an annual rate of 468,000, the lowest level in a year.

Builders have slowed construction because sales in May were "horrible" and June so far has been only slightly better, said John Burns, a housing-industry consultant in Irvine, Calif. He expects a gradual improvement over the rest of the year.

The analysts surveyed by MacroMarkets on average expect home prices, as measured by the S&P/Case-Shiller national index, to decline about 1.4% this year, then rise 1.3% in 2011 and 2.7% in 2012. For the five years ending Dec. 31, 2014, they see a rise of 10.5%. As of Dec. 31, the index was down about 28% from its peak level in mid-2006.

Meanwhile, the Federal Housing Finance Agency said its monthly house-price index in April was up 0.8% on a seasonally adjusted basis from March. The index was down 1.5% from a year earlier.