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Home prices tumble at record rate

The National Association of Realtors reported today that single-family home prices dropped 7.7% in the first quarter of 2008. The drop came as the largest year-over-year decline since the NAR started keeping track of prices in 1982.

The new median sales price for a home in the United States is \$196,300. During the same period one year ago the median sales price was \$212,600. Chief economist for the industry group blamed rising foreclosures which are dropping values of nearby homes. "Prices have fallen in neighborhoods with a wide prevalence of subprime loans, because more foreclosed properties are being sold at discounted prices," he said.

Yun said that more than half of all mortgage foreclosures are subprime loans adding that sharp price declines are mostly happening in neighborhoods with many subprime loans.

The effects of the troubled housing market are being felt throughout the entire country as 46 states also reported a decrease in the amount of existing homes sold during the first quarter. The states to see an increase in home sales were Alaska, Indiana and New Jersey. Data for New Hampshire was not made available. The state hit hardest was Maryland posting a 38.6% drop in existing home sales as compared to last year.

Jumbo loans took the biggest hit as liquidity and credit becomes harder to obtain. Last year 40% of loans made in California were jumbo loans. This year that number has dropped to 10%. "These are highly unusual results because there were very few jumbo loan originations in the latest quarter," Yun observed. "So sales are much slower in high-cost areas."

A jumbo loan is any loan more than \$417,000. States with high home values and populations like California, Texas and New York depend on these types of loans to keep up with demand.