



Written by [Bob Adelman](#) on January 26, 2011

Housing Double-dip Is Here: Case-Shiller

Prices declined in November in 17 of the 20 Metropolitan Statistical Areas (MSAs) tracked by Case-Shiller, marking “the sixth consecutive month where the annual growth rates moderated from their prior month’s pace,” as noted in the report. The same decline showed up in the report’s analysis of its 10-city composite as well, since May 2010, indicating “an unambiguous deceleration of home price returns.” As David Blitzer, chairman of the Index Committee explained:



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With these numbers more analysts will be calling for a double-dip in home prices.... The series are now only 4.8 % and 3.3% above their April 2009 lows, suggesting that a double-dip could be confirmed before Spring. Certainly nine cities setting new lows, and with the only positive news concentrated in southern California and Washington, DC, the data point to [continued] weakness in home prices.

13 of the MSAs and both [10-city and 20-city] composites have posted at least seven months of decline since the beginning of 2010.

Some of the declines in home prices are jaw-dropping: In November, home prices in Las Vegas were down nearly 60 percent from their peak in August of 2006, while Phoenix prices are down more than 50 percent from their peak. In Miami, home prices are 49 percent below their peak in December 2006. Nor is there likely to be any rebound soon. Last April, HousingWire.com [estimated](#) that it would take years for many market prices to reach new highs. Calling them “sand states,” they anticipate that housing prices in California, Florida, Arizona, and Nevada would not see new highs until the year 2025.

Any potential rebound in home prices is being hampered by the overhang of foreclosures still waiting to come onto the market, and by the number of new home buyers being limited by rising interest rates, making qualification more difficult.

There is further pressure coming from new home buyers wanting to purchase smaller, less expensive, more energy-efficient homes. [MortgageQuest, Inc.](#) noted that in 2007 and 2008, the average size of a new home was 2,520 square feet, while in 2010 it was only 2,377 square feet. According to Rose Quint, VP of research for the National Association of Home Builders, “the trend will only continue, with 2015 new home size currently projected at 2,150 square feet with fewer bathrooms and smaller garages.”

In addition, more than one-quarter of the population is now over the age of 55, and when they purchase a new home, they are usually looking to downsize. The only problem is that many of those seeking a smaller residence can’t sell the one they’re in. The [story of John Blair](#) was told by Alejandro Lazo of the *Los Angeles Times*:

John Blair of La Mirada would like to move to Washington State with his 2-year-old daughter and pregnant wife but they can’t sell their three-bedroom, two-bathroom, 1,400 square foot home for



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enough to cover the family's debt. The Blairs bought the house in 2007 for \$540,000. Said Blair, "We can't really get out of our home. We envisioned moving and possibly, hopefully, having some equity."

Recent articles about the housing market [here](#) and [here](#) expressing skepticism about the end of the decline in prices in the housing market appear now to have been vindicated by the latest Case-Shiller report. Any blue sky appearing in the clouds covering the housing market appear to be temporary, at best.



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