

# U.S. home prices seen down over 40 percent: Barclays

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By Jonathan Stempel

NEW YORK (Reuters) - U.S. housing prices will fall by a double-digit percentage from already beaten-down levels, resulting in an overall 40 percent plunge by the time foreclosures peak in the second half of 2010, Barclays Capital economist Michelle Meyer said.

Meyer issued her forecast two days after the Standard & Poor's/Case-Shiller Home Price Indexes showed for April an 18.1 percent year-to-year decline, compared with 18.7 percent in March, in the rate of home price declines in 20 major U.S. metropolitan areas. The indexes have tracked the prices of U.S. single-family homes since 1987.

"While the early signs of improvement are in place for housing, the market will likely remain out of balance for some time, given the flood of foreclosures," Meyer wrote. "Home prices are likely to continue to fall, albeit at a slowing pace, even after the economy technically emerges from the recession."

Home prices have fallen 32.6 percent from their peak three years ago, S&P/Case-Shiller said. On that basis, they would need to fall another 11 percent for an overall 40 percent peak-to-trough decline.

Further declines could imperil metropolitan areas that have yet to experience the worst of the nation's housing slump.

According to S&P/Case-Shiller, New York was the only major market to have above-average, month-over-month housing price declines in both March and April and also have a below-average decline for the year ended in April.

Home prices in that market fell 12.5 percent from a year earlier. The Denver area had the smallest drop, 4.9 percent.

Citing data from a Reuters/University of Michigan survey suggesting that consumers believe low prices and interest rates make now a good time to buy homes, Meyer said home sales have already bottomed.

She expects sales of existing U.S. homes to rise to 5.41 million in 2010 from 4.75 million in 2009, while sales of new homes will rise to 440,000 from 350,000.

Meyer expects the nation's gross domestic product to show annualized growth starting in the current quarter.

<http://www.reuters.com/article/GCA-Housing/idUSTRE5615ZY20090702>