



Home Economics

## America's Free-Falling Housing Markets

Matt Woolsey, 02.12.08, 2:40 PM ET

Residents of [Sacramento, Calif.](#), where home sale prices for November 2007 fell a startling 18.6% over the year before, are likely breathing a sigh of relief today.

That's because homeowners there stand to benefit from the Bush administration's initiative, announced today, aimed at helping homeowners facing foreclosure. Called "Project Lifeline," and assembled by six of the nation's largest financial institutions, which service almost half of the country's mortgages, the program allows qualified homeowners to suspend proceedings for 30 days while providing them with rewriting and refinancing assistance.

The lenders involved--JPMorgan Chase, Bank of America, Countrywide Financial, Citigroup, Washington Mutual and Wells Fargo--say they will contact homeowners who are 90 days or more overdue on mortgage payments and work with them on ways to make their mortgages more affordable.

"There'll be homeowners who still take no action, and some will still walk away," said Treasury Secretary Henry Paulson at a news conference today. "But some borrowers facing immediate foreclosures may find solutions."

While resetting rates on many of these mortgages are causing homeowners to default, falling prices, which lead to [negative equity](#), are also playing a part. Negative equity occurs when the homeowner owes more on the home than the home is worth, and thus has little incentive to make payments.

Then there are the homeowners who took out "piggyback" loans--getting a second mortgage to pay the down payment on the first--leaving them saddled with mounting debt, yet unable to unload a home that's dramatically dropping in value.

### Behind The Numbers

To assess which cities are hardest hit, we used data from Radar Logic, a New York-based real estate research firm. Radar Logic differs from the more familiar Case-Shiller index in that it tracks more markets (25), includes data on foreclosures, condos and new construction, and is a spot price, not a running average.

ZipRealty, a San Francisco-based real estate tracking firm that aggregates multiple listing service data, provided us with the number of homes on the market that have been relisted below their initial asking prices.

In [Sacramento](#), 43.6% of homes on the market have been lowered in price. There are currently 36,097 homes on the market there, with very few potential buyers.

Just lagging Sacramento is [Las Vegas](#), where between November 2006 and November 2007, prices plunged 17.2%. What's more, from December 2006 to December 2007, the number of homes on the market surged by 30%, further stalling sales, and likely leading to more price depreciation down the road.

***Who's to blame for the subprime crisis? Weigh in. Add your thoughts in the Reader Comments section below.***

A city you might have expected to see higher on the list--[Detroit](#)--finished ninth. Simply put, there just isn't much further for the city's housing prices to fall; in percentage terms, it doesn't look as depressed as other (once over-inflated) markets. In some areas of Motor City, banks are literally giving homes away if the buyer agrees to bring it up to code.

Florida nabbed three spots on the list of 10 fastest-falling markets, with [Tampa](#) down 11.7%, [Miami](#) depressed by 10.6% and [Jacksonville](#) in an 8.7% decline from last year.

The one sign of good news in these markets is that construction has all but stopped, and sellers are starting to get realistic about cutting prices.

For full-year 2007, almost every market experienced an inventory spike, but in the last month of the year, according to ZipRealty's numbers, inventories started to decline nationwide. Even in Sacramento and Las Vegas, inventory numbers have started to fall, if only marginally.