

HousingStory.net predicts a nine percent fall in property prices nationwide in 2010.

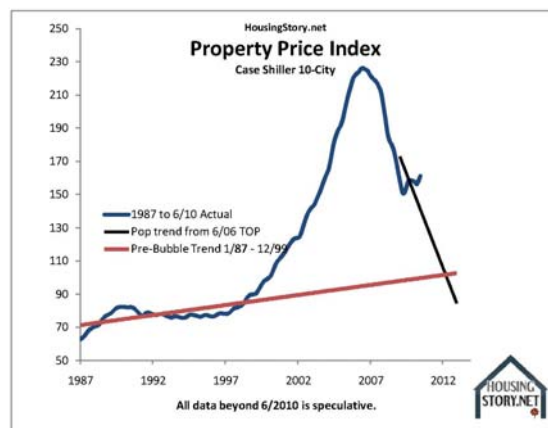
We make the call for a new decline in prices despite positive signals of higher prices including a gain of seven percent nationwide by Case-Shiller 10-City index from a post-crash bottom in April 2009.

HousingStory.net surveys and averages the data of four major property price indexes including Case-Shiller, the Federal Housing Finance Agency (FHFA), First American, and Freddie Mac (Please see the results immediately below.).

HOUSING STORY.NET		A SUMMARY OF RESULTS FROM MAJOR RESIDENTIAL-PROPERTY INDEXES				
		This chart published September 9, 2010				
DATA SOURCE	AVERAGE OF FOUR DATA SETS	CASE-SHILLER 23 YEARS	FHFA 35 YEARS	FIRST AMERICAN 34 YEARS	FREDDIE 40 YEARS	
A	TOTAL FALL - PEAK TO TREND	34%	55%	21%	35%	25%
B	CURRENT FALL FROM PEAK	20%	29%	11%	28%	12%
C	LOSS - TODAY TO BOTTOM	18%	37%	11%	10%	15%
D	GAIN - POST-CRASH RECOVERY	3%	7%	0%	6%	0%
E	ESTIMATED LOSS IN 2010	9%	18%	4%	11%	4%
	PERCENTAGE OF TOTAL FALL ALREADY LOST	54%	52%	54%	79%	32%

Our projections are based upon the assumption that values broke into bubble gains starting in 2000. We project a pre-bubble trend using values predating 2000 and going as far back as possible in each data series. We then project a second trend: It follows prices from the fall of the height of the boom.

You will understand this method as soon as you view any of the forecast charts (Please see Case-Shiller immediately below. The other three price charts follow this post.).



You will observe in the charts of the four data sets remarkable likenesses in the nature of the rise and fall. While the pattern is the same in the rise and fall, the numbers which describe those changes are very different from one data set to the next.

We are estimating, for example, a total fall in prices of 55 percent nationwide based upon Case-Shiller 10-City, but we estimate a fall of only 21 percent using FHFA. Case-Shiller remains the bearish measure today with values down 29 percent from the peak. FHFA says prices have fallen only 11 percent.

A stat which may be of great interest is the prediction by the average of the indexes that our fall in prices is only half-way accomplished – a forecast which, if true, will elicit fear in the hearts of homeowners, buyers, bankers and government officials.

A natural fall-back in prices is a matter of the highest gravity to the Federal Reserve Bank and the Treasury and to current and future homeowners. The federal government has massively intervened in the housing market. The federal government funds close to 100 percent of new mortgage loans originated today.

Fed and Treasury are attempting to preserve bubble values for homeowners and to save mortgage investors. Absent government intervention, housing prices would have fallen 50 percent or 75 percent by now. Global depression would surely have followed, although we believe an ambitious destruction of debt investments would and will allow the economy to roar back to life.

It is an open question whether the fall in prices has ended. In the aftermath of a great American property bubble which blew up inside of a great worldwide property bubble, the Fed may meet its match and win defeat.

\*\*\*

Please see previous forecast posts at [January 2010](#) & [April 2010](#).

[Michael David White](#) is a mortgage originator in 50 states.

