

Housing Eludes Recovery as Job Losses, Foreclosures Climb

By Brian Louis



June 22 (Bloomberg) -- Unemployment and consumer debt are putting home ownership beyond the reach of would-be buyers even as U.S. home prices reset to 2003 levels, according to a report today by Harvard University's Joint Center for Housing Studies.

"Clear signs of a recovery have yet to emerge, and job losses and the steady stream of foreclosures are keeping many markets under pressure," researchers for the Cambridge, Massachusetts-based center wrote. "Sales of both new and existing homes continued to struggle to find a bottom."

Tight residential real estate markets and low mortgage rates fueled a five-year property boom as the number of U.S. households paying more than half their incomes for housing jumped from 13.8 million in 2001 to 17.9 million in 2007, the researchers said.

The federal government is now trying to stabilize the market by offering incentives for lenders to modify the terms of delinquent mortgages and the Federal Reserve has pledged to buy as much as \$1.25 trillion in mortgage-backed securities to free up funding for new home loans.

When recovery comes, immigrants and children born to the post-World War II baby-boom generation will lead it, the Harvard researchers said.

So-called "echo boomers will help keep demand strong for the next 10 years and beyond" as they turn 25-44 years old, according to the report.

"Even under the low immigration assumptions, minorities will fuel 73 percent of household growth in 2010-20, with Hispanics leading the way at 36 percent," researchers found.

Unemployment

Minority households have been hit harder by the recession and the housing slump than whites, according to the report.

The unemployment rate for black residents in April was 15 percent compared with 8 percent for whites, the report said. In low-income minority neighborhoods, the median foreclosure rate was 8.4 percent compared with 6.3 percent in low-income white neighborhoods from January 2007 through June 2008.

Even as falling prices have made homes more affordable, roadblocks to buying remain, including the difficulty of getting a mortgage as lenders require bigger down payments and higher incomes to qualify for a mortgage, the report said.

"The home buying market will continue to struggle until the foreclosure crisis comes to an end," the report said. "Although new federal efforts may prevent millions of families from losing their homes, mounting job losses will likely keep foreclosures at elevated levels."

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