

U.S. Home Prices Tumble 6.1% on Surging Foreclosures

By Kathleen M. Howley

Aug. 25 (Bloomberg) -- U.S. home [prices](#) fell 6.1 percent in the second quarter from a year earlier as a record number of [foreclosures](#) eroded the value of real estate.

The rate of decline slowed from the first quarter's 7.1 percent drop, according to [a report](#) today from the Federal Housing Finance Agency. Measured monthly, [prices](#) rose 0.5 percent in June after a 0.6 percent monthly gain in May, the Washington-based agency said.

Prices fell in June in four of nine U.S. regions covered by the report as banks [seized](#) real estate from [delinquent](#) borrowers. About 4.3 percent of U.S. homes, or one in 25 properties, were in foreclosure in the second quarter, according to an Aug. 20 report from the Mortgage Bankers Association in Washington. That's the most in three decades of data.

"Foreclosures have a tangible negative impact on prices," Gleb Nechayev, a senior economist at CBRE/Torto Wheaton Research in Boston, said in an interview before the price index was released. "It's very stressful not just for individual households, but for whole neighborhoods."

Today's report measures percentage changes in values using repeat data on individual properties. It doesn't provide specific dollar figures.

The [median](#) U.S. home price fell 16 percent in the second quarter to \$174,100 from a year earlier, the steepest drop on record, according to the National Association of Realtors.

[Sales](#) of existing U.S. homes jumped more than forecast in July to the highest level in almost two years as demand was fueled by a tax credit of as much as \$8,000 for first-time buyers who buy properties by the end of November.

Purchases climbed 7.2 percent to an annual rate of 5.24 million, the most since August 2007, according to an Aug. 21 report by the realtors group. The gain was the biggest since records began in 1999. The median price for the month fell 15 percent.

To contact the reporter on this story: Kathleen M. Howley in Boston at kmhowley@bloomberg.net.

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