Homes: About to get much cheaper

- By Les Christie, CNNMoney.com staff writer
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If you thought home prices were bottoming out, you may be wrong. They're expected to head a lot lower.

Home values are predicted to drop in 342 out of 381 markets during the next year, according to a new forecast of real estate prices.

Overall, the national median home price is predicted to drop 11.3% by June 30, 2010, according to Fiserv, a financial information and analysis firm. For the following year, the firm anticipates some stabilization with prices rising 3.6%.

In the past, Fiserv anticipated the rapid decline in home-sale prices over the past few years -- though it underestimated the scope.

Mark Zandi, chief economist with Moody's Economy.com, agreed with Fiserv's current assessments. "I think more price declines are coming because the foreclosure crisis is not over," he said.

In fact, those areas with high concentrations of foreclosure sales will experience the steepest drops, according to Fiserv. Miami, for example, is expected to be the biggest loser. Prices are forecast to plunge 29.9% by next June -- after having already fallen a whopping 48% during the past three years.

If Fiserv's forecast holds, Miami real median home price will tumble to $142,000 by June 2011.

In Orlando, Fla., the second-worst performing market, Fiserv anticipates a 27% price collapse by June 2010, followed by a less severe drop the following year. In Hanford, Calif., prices are estimated to drop 26.9% and continue falling 9.5% in 2011; in Naples, Fla., they're expected to fall 26.8% and then flatten out.

Other notable losers include Las Vegas, where prices have already fallen 54.6% and are expected to lose another 23.9% by June 2010. In Phoenix values have already collapsed by 54% and could fall another 23.4%. In both cities, Fiserv anticipates the losses to continue into 2011, but they will be less than 5%.

Prices had stabilized

The latest forecast is at odds with the past few months of the S&P/Case-Shiller Home Price index. That report has given hope that most housing markets may have already stabilized because the composite index of 20 cities rose in May, June and July. Nationally, it found that home prices have gained 3.6%.

Brad Hunter, chief economist for Metrostudy, which provides housing market information to the industry, however, expects a change in fortunes, however.

"I'm afraid Case-Shiller may be just a temporary reprieve," he said.

He pointed out that the tax credit for first-time home buyers helped support prices during the three months of Case-Shiller gains. By the end of November, the credit will have been used by 1.8 million homebuyers, at least 355,000 of whom would not have bought a house without the tax break, according to estimates by the National Association of Realtors. But the market assistance ends when the credit expires on Dec. 1.

Hunter also sees a new wave of foreclosure problems coming from higher priced loans and prime mortgages. He expects a high failure rate for option ARM loans that were issued to prime customers so they could buy homes in bubble markets, such as California and Florida. In those areas, prices for even modest homes had skyrocketed.

Winners

A handful of metro areas will buck the trend, according to Fiserv. Six markets will remain flat, and 33 will actually post gains. The biggest winner will be the Kennewick, Wash., metro area, where home prices have ramped up 8.9% over the past three years and are expected to increase another 3.4% by June 2010.

Fairbanks, Alaska, prices are anticipated to rise 2.5%, while Anchorage will climb 2.1%. Elmira, N.Y., prices may inch up 1.8%.

The nation's biggest metro area, New York City, will underperform the nation as a whole over the next two years, according to Fiserv. Prices, which have already fallen 21.7% to a median of $375,000, are expected to fall 17.4% by June 2011.

Home values in the nation's second largest city, Los Angeles, have fallen 43.3% since June 2006 to a median of $313,000. They are expected to dive another 20.2% over by June 2010, and then start to climb in 2011. Chicago prices, which have fallen 25.2% to $227,000, will drop only 4.1% over the next 12 months and then starting to climb.

The Detroit metro area now has the dubious distinction of having the lowest home prices in the country. Prices have dropped 51.7% to a median of $50,000. They're expected to fall another 9.1% and then stabilize.

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