

INTERVIEW-Yale's Shiller sees new drop in US housing prices

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* Acknowledges concern about "double dip" in economy * Says recent upturn in housing prices now "flagging" * Japan's recovery from housing meltdown may be a model

By Tom Brown

BOCA RATON, Fla., Jan 12 (Reuters) - Renowned Yale University economist Robert Shiller said on Tuesday he sees U.S. housing prices falling further in coming months, fueling more fears about the broader economy. Housing prices have already dropped nearly 30 percent since their peak in early 2006, in a freefall at the center of the global financial crisis. Shiller, pioneer of the benchmark Standard & Poor's Case-Shiller home price index, told Reuters more declines could derail the country's fragile recovery by dragging more financial institutions to the brink of collapse and further discouraging sorely needed lending. Renewed worries about housing are shared by many economists, given the continuing U.S. foreclosure crisis and the number of Americans who now find themselves "under water," with homes that are worth less than their mortgages. The Case-Shiller index, a measure of housing prices in 20 metropolitan areas, showed impressive gains last summer but it rose just 0.4 percent in October from the previous month on a seasonally adjusted basis. "We saw this big upturn but it seems to be flagging," said Shiller. When November data is published on Jan. 27, he said the index was likely to post its first overall decline since April, snapping five consecutive months of gains. "I think it's more likely to be a decline than a rise in the next few months," Shiller said. Shiller, 63, spoke in an interview in the palm-fringed retirement and resort community of Boca Raton, north of Miami. He declined to predict a renewed recession or "double-dip" in the overall U.S. economy if real estate prices continue eroding but acknowledged his concerns, despite recent gains in consumer confidence and slower declines in the labor market. "I worry about a double dip and worry about further declines in real estate," he said. "I worry that home prices will resume their fall and then the question is how much further down will they go. We're kind of stretched right now," said Shiller. "There are different estimates of what percentage of homes are under water ... Whatever that number is it can go up dramatically if home prices keep going down. And that would create another default crisis," he added. "This is what has bankers worried right now ... They're expecting a possible future crisis," said Shiller. "People forget that the aftermath of bursting bubbles can be very prolonged ... The last time we had such big bubbles was the Great Depression and that lasted a very long time." He noted that housing prices fell for 15 straight years in Japan after its real estate market collapsed in the 1990s. "Unfortunately, I think it's a model for what might happen," said Shiller. (Editing by James Dalgleish)

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