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# Where's bottom? Home price forecasters haggle

Many factors complicate predictions for area, but for now, it remains a buyer's market.

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Kirk Lewis had a heck of a time moving to St. Louis.

His employer wanted him here, and he wanted to come. But how do you get rid of a house in the depression state of Michigan?

So, Lewis waited as his home sat on the market for about six months before a buyer knocked. The price was "nowhere near what I was asking for," he said.

But Lewis figured he would make it up when he became a homebuyer in St. Louis, and he was right.

He found "an overabundance of homes" and "a lot of value." Sellers asking \$300,000-plus for homes were willing to knock 10 percent off to get a deal.

Lewis, who sells tractor-trailers for a living, and his fiancée bought a four-bedroom, three-bath home on a golf course in Wentzville.

"It worked out real well," said Lewis, who closed the deal in October. The drubbing he took in Michigan matched the bargain he found here. "It was a wash," he said.

Welcome to the buyer's market for home real estate.

## See HOUSING • Page A9

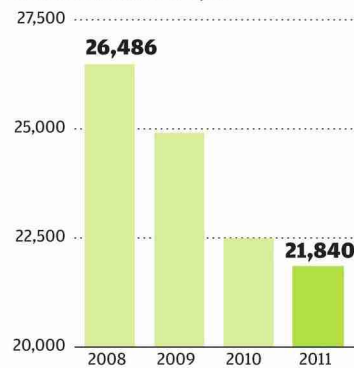
St. Louis home prices have been falling almost constantly since early 2007, and now there's debate about whether they're near a bottom.

"It looks like it's stabilized," said William Rogers, an economist at the University of Missouri-St. Louis who studies the local real estate market. "But I don't expect a rebound in prices for quite some time."

Others think prices have far-

## LOCAL HOME SALES

First 10 months of the year



NOTE: Data for St. Louis (city), and St. Louis, St. Charles, Jefferson, Madison, St. Clair, Franklin, Lincoln, Warren, Monroe and Clinton counties.  
SOURCE: MARIS, Keller Williams, Realtor Assn. of SW Illinois, Greater Gateway Assn. of Realtors

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ther to fall.

"There's no way you can possibly say we're at the bottom yet," says Bill Emmons, economist at the Federal Reserve Bank of St. Louis. "You can squint your eyes and see a little slowing in the decline."

The lines on the price chart still point down in nine of 11 counties in the metro area, according to data from the St. Louis Association of Realtors. Only Clinton and Jefferson counties had higher median prices in October than a year earlier.

But measuring home prices is tricky, and different analysts can produce somewhat different estimates. Another analysis shows prices trending up a bit in the July-September quarter.

The Federal Housing Finance Agency publishes a price index

for St. Louis that excludes prices of the most expensive homes. That index indicates that prices actually rose 2.4 percent in St. Louis between spring and summer. But they were still down 5.4 percent from the summer of last year, and down 13 percent from five years ago.

## OVERHANG

At today's sales pace, it would take seven months to sell all the homes with for-sale signs in St. Louis and St. Charles counties. That oversupply tilts the power to the buyer's side but not to an extreme degree, says Shawn Kelsey, a broker who closely tracks market statistics at Keller Williams Realty in Chesterfield.

Buyers certainly think they're in the catbird's seat.

"Every deal is harder to get done. Buyers want the price reduced," said real estate agent Diana Mayfield of Coldwell Banker Gundaker realty. "But the market isn't as bad as they think it is. You can't get everything at half price."

One problem in spotting a market bottom lies in how to measure "shadow" inventory — the overhang of houses that will probably come on the market, although no one is sure when.

Foreclosures make up a big part of that supply. And they're a big worry because they sell cheaply and pull down the market price of nearby homes.

There were 1,433 local homes



snatched by the bank or on the verge of it in October, according to RealtyTrac, which tracks foreclosure filings. That number is down 26 percent year-to-date.

No one is sure how much of that drop reflects truly good news — that fewer homeowners are in trouble — and how much of it reflects glitches in the foreclosure bureaucracy.

There's some of both. Last year's robo-signing scandal threw a monkey wrench into the foreclosure machine, and it's still puffing and wheezing and creating a backlog.

Mortgage servicing companies and foreclosure law firms were forced to slow down after revelations that officials were swearing to the accuracy of legal documents they had never verified in order to speed foreclosures.

On the other hand, 90-day mortgage delinquencies have dropped slightly, although they're still in the 8 percent range, indicating that fewer homes will be feeding into the machine.

### LAGGING DEMAND

Meanwhile, lots of homeowners want to sell — but not at today's reduced prices. Once the market starts to improve, for-sale signs could go up by the thousands, and the extra supply might slow a price recovery.

There also are problems on the demand side. The great crash in the housing market may have permanently slowed demand by changing the way that Americans look at homeownership, Rogers notes. The home is seen as less of a castle, less of an investment or a status symbol, and more of a

ball and chain.

About 17.1 percent of St. Louis homeowners — nearly 1 in 6 — owe more in mortgage debt than their homes are worth, according to the real estate tracking firm Corelogic. They can't move to accept a better job without defaulting and wrecking their credit.

"It can do some damage to their ability to get higher wages," Rogers notes, and that realization will make people hesitate before buying homes even as the economy improves.

That helps explain why the lowest mortgage rates since the 1950s, combined with sharply lower prices, have failed to rescue the market.

But real estate agents and economists say the overwhelming factor killing home prices is St. Louis' 8.9 percent unemployment rate.

"There's no gas in the tank," says Emmons.

Consumers won't buy homes because they are afraid for their jobs.

Businesses are sitting on "mountains of cash," but they don't have to hire people because frightened consumers aren't buying their products and services.

Congress, meanwhile, is fighting over how to cut government spending — meaning fewer jobs — while possibly raising taxes.

Consumers, business and government form a circular firing squad, shooting themselves and the housing market.

"It will probably be 2015 or 2017 before we see any appreciable movement," said Emmons.



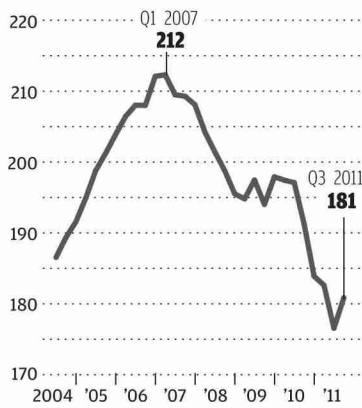
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**Michele Young of St. John looks over the neighborhood Thursday as she is shown a home in St. Charles. St. Louis area home prices have been falling almost constantly since early 2007. An economist at the University of Missouri-St. Louis says it looks as if prices have stabilized, but another economist, at the Federal Reserve Bank of St. Louis, says it's too soon to tell.**



**HOME PRICE TREND**

The Federal Housing Finance Agency's purchase-only index for St. Louis rose in the third quarter, ending a string of seven straight quarterly declines. **(Q1 1991 = 100)**



NOTE: This purchase-only housing index measures average price changes in repeat sales on the same properties.

SOURCE: Federal Housing Finance Agency | Post-Dispatch



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**Michele Young (right) of St. John goes over the kitchen of a St. Charles home for sale with real estate agent Diana Mayfield of Coldwell Banker Gundaker on Thursday. Young and her husband are looking for a larger home that is close to their work. The St. Louis area remains a buyer's market as home prices have been falling steadily since early 2007.**