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Chicago home prices fall in October

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Crain's Chicago Business

(AP) — Chicago-area home prices showed the second-biggest drop in October of 20 metro areas, according to a report Tuesday.

Local prices fell 1 percent in October compared with September, the first drop after five straight monthly increases, according to seasonally adjusted data from the Standard & Poor's/Case-Shiller home price indices.

Home prices in the Chicago area were down 10.1 percent in October compared with October 2008.

Peter J. Birnbaum, president of Chicago-based Attorneys' Title Guaranty Fund, thinks the October decrease can be attributed to timing, coming after the expiration of foreclosure moratoriums and at a time when many closings were to first-time homebuyers taking advantage of a federal tax credit.

Mr. Birnbaum expects local prices to decrease over the next year because of the high inventory of distressed properties.

"I think we're going to see this for a while," Mr. Birnbaum says of prices falling.

Nationwide, prices rose in October for the fifth month in a row, but the recovery continues to be uneven, with only 11 of the 20 metro areas tracked showing gains.

The 20-city S&P/Case-Shiller index released Tuesday edged up 0.4 percent to a seasonally adjusted reading of 145.36 in October from September.

The index was off 7.3 percent from October last year, nearly matching expectations of economists surveyed by Thomson Reuters.

The index is now up 3.4 percent from its bottom in May, but still almost 30 percent below its peak in April 2006.

Tampa, Fla., showed the biggest decrease in October from September, a seasonally adjusted 1.2 percent.

San Francisco and Detroit posting the largest increases. Dallas recorded a flat reading for the month.

"Coming after a series of solid gains, these data are likely to spark worries that home prices are about to take a second dip," David Blitzer, chairman of the index committee at Standard & Poor's, said in a statement.

That happened in the early 1980s, he said, and the current housing recovery appears more solid.

The federal government has stepped in with an extraordinary level of support this year for the housing market. Home price gains since the summer reflect the rush of homebuyers trying to close their deals before the original expiration date of a federal tax credit. The Nov. 30 deadline was extended last month to April 30.

Besides a credit of up to \$8,000 for first-time buyers, Congress expanded the program to include homeowners who have lived in their current properties for at least five years. They can now claim a tax credit of up to \$6,500 if they relocate.

The Federal Reserve is also buying up \$1.25 trillion in mortgage-backed securities to help keep interest rates at historical lows.

Todd J. Behme contributed to this report.