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## Housing Market Shivers

*January's 3.1% Price Drop Stirs Fears of 'Double Dip'; Only Two Big Cities Gain*

By S. MITRA KALITA

Housing prices across the U.S. continued falling in January, raising fears of a double dip in the home-buying market and a longer slog toward recovery than once expected.

Average sale prices of single-family homes in 20 major metropolitan areas fell 3.1% from a year ago, according to the S&P/Case-Shiller home-price index released Tuesday.

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[Home Prices, by Metro Area](#)

indicating any form of sustained recovery....At worst, the feared double-dip recession may be materializing."

Only two cities—San Diego and Washington—recorded price increases year over year.



WSJ's Conor Dougherty and Mitra Kalita visit the News Hub to discuss state-level revenues seeing a rebound, but local revenues weighed down by a sluggish housing market. January housing sales figures ignited fresh fears of a double-dip recession.

rise for much of March.

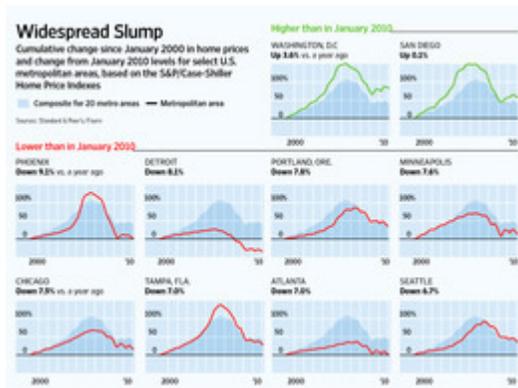
After more than 30 years of renting, Karen and Bernie Donovan have saved \$16,500 and hope to buy a home in Florida soon. Because her husband's employment as an iron worker is erratic—he is currently looking for work—

"January brings us weakening home prices with no real hope in sight for the near future," said David M. Blitzler, chairman of the Index Committee at rating firm Standard & Poor's. "The housing -market recession is not yet over, and none of the statistics are

The declines in the price index, which only gauges homes that have been sold before and excludes new construction, set a tone for a spring market with buyers firmly in control. The silver lining, economists said, is that affordability and low rates might spur more activity this spring than last year, which relied on a federal tax credit to stimulate demand. The average rate on a 30-year fixed rate mortgage inched up last week to 4.81%; a year ago, it was 4.99%, according to mortgage firm Freddie Mac.

Pending home sales—those with purchase contracts signed—increased 2.1% last month, with some regions showing more strength than others, the National Association of Realtors reported this week. Mortgage applications also have been on the

and she works part time at a T-shirt company and is trying to start a popcorn business, Mrs. Donovan doubts they would qualify for a conventional loan, despite the down payment they can make. They plan to cash out of some investments to buy.



"It's our time now," Ms. Donovan said. "We want to find the deal of a lifetime."

Sellers, meanwhile, are finding they must lower prices to meet buyers' expectations and compete with distressed sales, which represent more than a third of all transactions.

For nearly a year, Jessica Strabley of Atlanta has been trying to sell her two-bedroom condominium. Only two prospective buyers have toured the unit, which she bought in August 2008 for \$179,000. Last month, she cut the price for a fourth time to \$175,000.

"I think it's a great time to buy if you're in the position to buy," said Ms. Strabley, 31 years old, who works in telecommunications. "If you're trying to sell, it's not a good position to be in. Everyone that I know has pretty much either decided not to sell because they can't take the loss or they've ended up taking a loss."

According to the index, Atlanta-area prices fell 7% in January compared with last year.

Meanwhile, regulators proposed new mortgage-lending rules on Tuesday that could raise borrowing costs or limit access to loans for home buyers who can't qualify for a loan or insurance from government-backed firms and federal agencies.

At the same time, those government entities are boosting fees that they charge borrowers to protect against the risk of future defaults.

"They're really nailing consumers with higher fees," said Anthony Sanders, a real-estate finance professor at George Mason University in Fairfax, Va. "From a fiscal-soundness perspective, that makes sense, but it's not another good piece of news for trying to revive the housing market."

Such pressures—and a still-shaky labor market—affect buyers' psychology and confidence in real estate and the overall economy, Mr. Sanders said.

"Prices are low, rates have been low. We have set up what in normal times would be a housing boom," he said. "Well, we already went through the boom."

—Dawn Wotapka contributed to this article.

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