

Tokyo, Feb 13 03:15

Search News Japan's Economy Probably Shrank 11.7%, Most Since 1974 as Exports Collapse

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Home Prices in U.S. Slid 12% in Fourth Quarter, Most on Record
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By Kathleen M. Howley

Feb. 12 (Bloomberg) -- Home prices dropped the most on record in the fourth quarter as foreclosures dragged down values and the recession pushed buyers out of the market.

The median price of a U.S. home declined 12 percent from a year earlier and sales of properties with mortgages in default accounted for 45 percent of all transactions, the Chicago-based [National Association of Realtors](#) said today. Prices [declined](#) in almost nine out of every 10 cities.

The worst U.S. housing slump since the Great Depression is deepening as [foreclosures](#) drain value from neighboring homes and the economic recession worsens. The number of Americans collecting unemployment benefits rose to a record 4.81 million in the last week of January as companies such as Caterpillar Inc. and Home Depot Inc. slashed [jobs](#). The U.S. lost 2.6 million jobs last year in the biggest workforce reduction since 1945.

“The housing sector was already weak, and now we are seeing deeper employment reductions,” said [Brian Bethune](#), chief financial economist at IHS Global Insight in Lexington, Massachusetts. “Every round of job cuts means fewer people who can get a mortgage and buy a house.”

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Prices slumped in 134 U.S. metropolitan areas, rose in 18 and were unchanged in one, the biggest share of declines in data going back to 1979.

The steepest price decline was in Florida’s Ft. Myers metropolitan area, down 51 percent, according to the Realtors’ report. Saginaw, Michigan, was second, with a 41 percent drop. The next five biggest decreases were all in California: Riverside, 41 percent; San Jose, 38 percent; San Francisco and Sacramento, 37 percent; and San Diego, 36 percent.

Mortgage Rates

Home prices and sales are tumbling even as mortgage rates are near all-time lows. The average U.S. rate for a 30-year fixed home loan is 5.16 percent this week, down from 5.25 percent a week earlier, [Freddie Mac](#) said. The rate dipped to 4.96 percent during the week of Jan. 15, the lowest ever recorded.

U.S. foreclosure filings exceeded 250,000 for the 10th straight month in January as falling prices trapped owners in homes worth less than the mortgage, RealtyTrac Inc. said in a report today.

A total of 274,399 properties got a [default](#) or auction notice or were seized by banks, the Irvine, California-based seller of default data said. It was the 37th straight year-on-year increase in filings.

A [foreclosure](#) reduces the value of each surrounding home by an average \$8,667 because it sells at a reduced price which is then used by appraisers to set values for other properties in the area, according to the Center for Responsible Lending in Durham, North Carolina.

THE EURO

1.28	1.30	1.33	?
Nov. 18, 2008	Dec. 09, 2008	Jan. 27, 2009	February 2009

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The world's largest economy will contract 2 percent this year, half a percentage point more than last month's forecast, according to the median of 50 projections in a Bloomberg News survey taken Feb. 2 to Feb. 10. The U.S. unemployment rate may climb to 8.8 percent this year, according to the monthly poll.

To contact the reporter on this story: [Kathleen M. Howley](#) in Boston at kmhowley@bloomberg.net.

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