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Home Values Won't Dive Even in a Weak Economy

By **PATRICK BARTA**

Staff Reporter of The Wall Street Journal

From [The Wall Street Journal Online](#)

April 28, 2003 -- The U.S. housing market is starting to look vulnerable. But don't panic: Your home's value isn't likely to collapse anytime soon.

Even in a soft market, homes tend to hold their value better than other investments, especially stocks. That's because homeowners, unlike stock investors, don't usually dump their properties at the first sign of trouble. People have to live somewhere, causing them to hold on to their houses long after conditions start to weaken.

"You don't just bail out of a house overnight the way you'd dump WorldCom shares," says Michael Sklarz, an analyst at Fidelity National Information Solutions, a Santa Barbara, Calif.-based real-estate analysis firm. As a result, home prices in weak markets sometimes level off rather than fall through the floor.

That doesn't mean the housing market is immune to price declines, of course, and there could be some pain ahead in cities where home-price inflation has been the most dramatic in recent years, such as Boston or San Francisco. Prices already have slipped slightly in some areas. According to the Office of Federal Housing Enterprise Oversight, a regulatory agency, 22 out of 185 metropolitan statistical areas saw modest home-price declines in the fourth quarter, including Dallas, South Bend, Ind., and Columbia, Mo.

New evidence of recent softening has added to the worries. After soaring to record levels in 2002, sales of new homes slid by nearly 20% in January and February, and sales of pre-existing homes also slowed slightly in February. Real-estate agents say houses are sitting on the market longer than they did six months ago, and some sellers are lowering asking prices to move properties more quickly. Economists blame factors such as a lousy job market and weak consumer confidence. "The market has shifted, and it's not a seller's market anymore," says Elizabeth Ballis, a sales agent at Coldwell Banker Residential Brokerage in Chicago. Even so, sales are still very strong by historical standards.

The Mortgage Bankers Association of America recently reported that applications to buy new homes have risen with the arrival of spring weather. And in many cases, owners who cut asking prices aren't losing money on homes; they're just making a little less than they

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initially had hoped. The National Association of Realtors projects home prices will rise by 4% to 5% this year, compared with 7.1% last year.

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