Home prices continue downward

Analysts agree that real estate is key to economic recovery

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WASHINGTON, DC-The house prices are falling. The Standard & Poor's Case-Shiller index, released yesterday, confirmed that this trend is here to stay in 2011. Especially in areas hardest hit by foreclosures. However, areas such as Los Angeles hopes to shed light end of the year.

The statistic measures the trend in the 20 cities of the country, showing monthly and annual figures. Between September and October 2010, Atlanta was the worst affected area with a negative change of 2.9%. Detroit followed with 2.5% and 2% Chicago. In the case of Los Angeles, there was a decrease of 0.7%. On average, the index fell 1.3% in this period.

The annual outlook did not show a pretty picture. Chicago led the losses with 6.5% of negative change, followed by Atlanta with 6.2%. Only four cities had indexes out of the red. Los Angeles, with 3.3%, San Diego, with 3% San Francisco 2.2% Washington 3.7%.

"There is good news in the October report. The prices of houses in the country continue to fall. The trends we have seen in recent months have not changed. The tax incentives have been completed. Within a year, sales have dropped more than 25% and supply of unsold homes is 50% higher, "said President of the Index Committee at Standard & Poor's.

The report also said that it is likely that the trend fails to be reversed in 2011, based on market performance and rising foreclosures.

A daunting prospect considering that many analysts see the housing market recovery as one of the key pieces of economic takeoff, after the crisis. In fact, former Federal Reserve Chairman Alan Greenspan warned this year that if home prices fall, the country could enter into another recession.

"So far we have seen huge falls, but in many cities has been no progress or raising prices a little. It's a real problem. The financial crisis began with problems in the housing market," said Andrew Fieldhouse, analyst Economic Policy Institute (EPI).

"This is an area where the federal government's response has been very weak, especially in terms of foreclosures. Looking ahead, the consumer is the key to economic recovery. But if we see prices of houses capital that people lose their homes to depreciate ...., that does not generate confidence in the market and discourages people to invest, "he added.

From the perspective of other analysts such as Pam Villarreal, an expert in economics from the National Center for Policy Analysis, the rate of Standard & Poor's is good only for a percentage of the population.

"If you buy a home hoping the price goes up, this is not an investment that will yield results in the short term. But this is good for people who rent and who want to buy a house to live in it for several years, "she said.