

HOME PRICES FALL, BUT PACE STOPS SETTING RECORDS

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U.S. home prices continued their multiyear slide in February, according to the S&P/Case-Shiller home-price indexes, but they did stop their 16-month streak of record declines.

Fifteen of 20 major metropolitan areas posted price declines of more than 10% from a year earlier with the Sun Belt continuing to be hit hardest. Nationally, home prices are at levels similar to the third quarter of 2003.

"While the declines in residential real estate continued into February, we witnessed some deceleration in the rate of decline in some of the markets," said David M. Blitzer, chairman of S&P's index committee. Still, 10 of the 20 metro areas reported record year-over-year declines.

As of February, the 10-city index is down 32% from its mid-2006 peak and the 20-city is down

31%. The two indexes have fallen every month since August 2006, 31 straight.

The indexes showed prices in 10 major metropolitan areas fell 19% in February from a year earlier and 2.1% from January. In 20 major metropolitan areas, home prices also dropped 19% from the prior year and 2.2% from January.

Again, none of the regions could stave off a decline from January to February, although 16 of the 20 areas saw a smaller decline compared with January. Month-to-month decliners were led by Cleveland, which posted a 5% drop and displaced Phoenix, which saw prices fall 4.5%, from the top spot. Dallas fared best, edging down 0.3%.

For the 11th straight month, no region was able to avoid a year-over-year decline, although nine cities posted better annual returns than they did in January. Phoenix and

Las Vegas were again the worst performers, with drops of 35% and 32%, respectively. Phoenix is down 51% from its peak in June 2006. Dallas has been the least hurt, down 11% from its June 2007 peak.

Compared with a year earlier, Dallas and Denver again had the best relative performance, with annual declines of 4.5% and 5.7%, respectively.

The news comes after government data Friday showed new-home sales fell in March, but only mildly, after a surge the month before. More data last week showed that existing-home sales dropped in March and median prices fell 12%, according to the National Association of Realtors.

Home Prices, by Metro Area			
Metro Area	February 2009	Change from January	Year-over-year change
Atlanta	106.65	2.50%	-15.30%
Boston	148.77	-1.30%	-7.20%
Charlotte	118.94	-1.60%	-9.40%
Chicago	126.3	-3.40%	-17.60%
Cleveland	97.76	5.00%	-8.50%
Dallas	112.39	0.30%	-4.50%
Denver	120.22	-1.70%	-5.70%
Detroit	74.6	-3.80%	-23.60%
Las Vegas	121.05	-3.60%	-31.70%
Los Angeles	163.16	2.00%	-24.10%
Miami	154.23	-3.00%	-29.50%
Minneapolis	116.39	-3.10%	-20.30%
New York	178.15	-1.60%	-10.20%
Phoenix	111.89	-4.50%	-35.20%
Portland	150.83	-1.90%	-14.40%
San Diego	146.82	-1.00%	-22.90%
San Francisco	120.39	-3.30%	-31.00%
Seattle	152.12	-1.50%	-15.40%
Tampa	145.25	-2.70%	-23.00%
Washington	168.02	-2.30%	-19.20%

Source: Standard & Poor's and FiservData

McKinsey Revisited

According to a press released from PricewaterhouseCoopers dated April 23rd, the insurance industry is in turmoil because of the financial crisis and recession.

Among PricewaterhouseCoopers' recommendations is something closely akin to what its competitor McKinsey & Company recommended in the mid-1990s. McKinsey's recommendations made headlines when a judge mandated Allstate release the report which became the guidepost for the lowballing and denying tactics used on covered losses that we've seen since the mid-1990s.

Among the recommendations are things that will further exacerbate these tactics:

a. Automating and streamlining the claims process. This is code for claims payments based on what a computer spits out. The computer program, of course, only uses repair and replacement costs that are woefully low.

b. Sustainable cost control strategies. That's insurer-

speaking for "Deny, Deny, Deny" claims. No money going out to pay claims is surely a way to cut and control costs.

The management consulting company makes a point of advising against "marketing" or "sales/staff cuts".

The full report can be viewed [HERE](#).