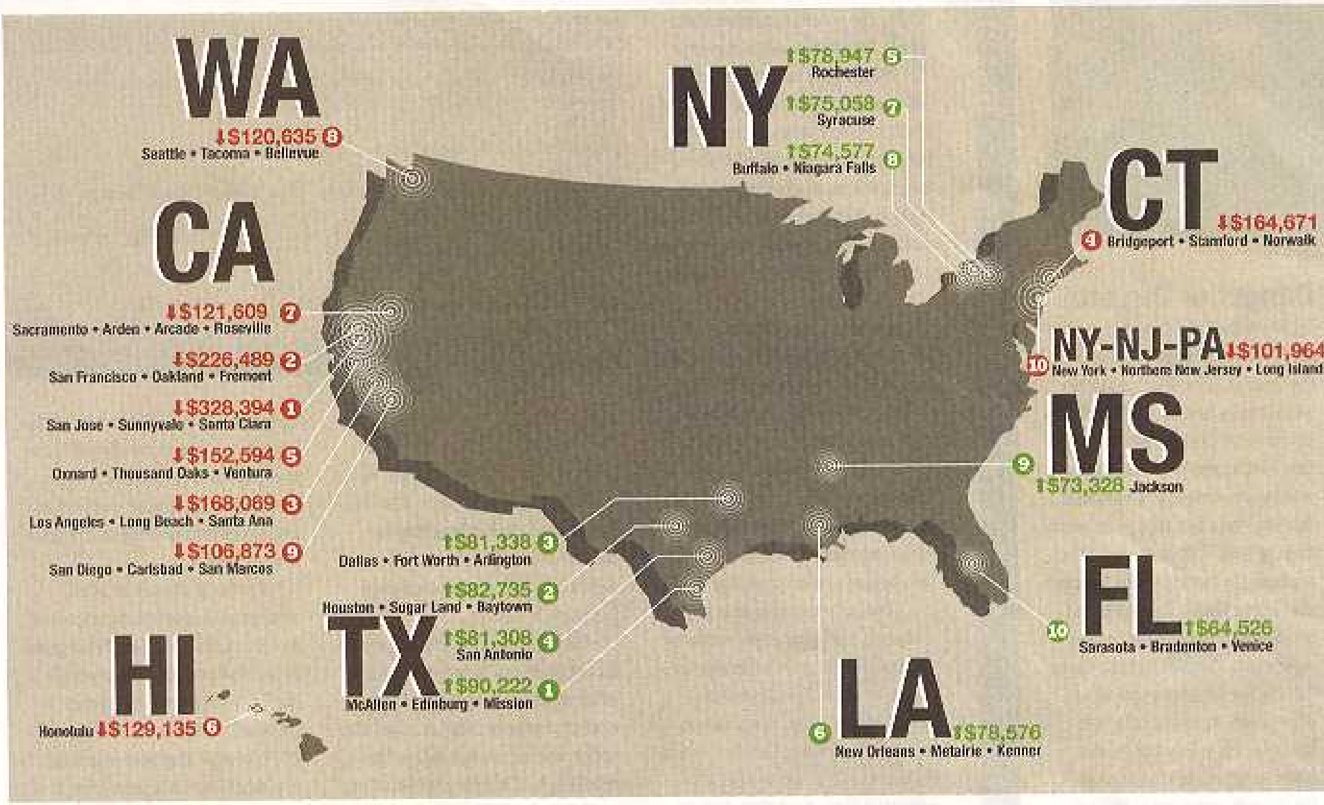
News + Numbers

INSIDE: APARTMENTS ARE A GOOD BUY + RENTERS STOP BUYING HOMES + MULTIFAMILY IMPACT FEES TOO HIGH



[STAT OF THE MONTH]

▲ **UPS AND DOWNS:** Here are the 20 markets estimated to see the biggest gains and drops in home equity through 2012, according to a study by the Center for Economic and Policy Research.

Bubble Bursting

Study suggests lending agencies should funnel debt toward noninflated markets.

If you're a homeowner, keep holding your breath. An analysis of renting versus buying costs released this past fall by the Washington, D.C.-based Center for Economic and Policy Research (CEPR) projects that homeowners in 32 of the country's 100 largest metro areas will likely accrue negative equity until the year 2012. According to the study, "The Changing Prospects for Building Home Equity: An Updated Analysis of Rents and Price of Housing in 100 Metropolitan Areas," the average New York City homeowner will lose $101,964 in home equity. In Los Angeles, the estimate is $168,069.

The study's authors contend that homeowners might find it difficult to migrate to rental markets due to high occupancy and demand. "Despite the extreme downward pressure in homeownership ... rental vacancy rates remain stable and rents continue to inch up," said co-author Danilo Pelletiere, a research director for the Washington, D.C.-based National Low Income Housing Coalition.

Hessam Nadji disagrees. "The apartment market has very little pricing power," says the managing director of research services at Encino, Calif.-based Marcus & Millichap. He expects negative to flat rental growth in 2009.

One section of the study suggests that policy makers be extra cautious in intervening in housing markets, but a follow-up report by CEPR co-director Dean Baker calls for Fannie Mae and Freddie Mac to restrict the buying of mortgages in inflated bubble markets. Nadji is not sure if that's the right approach. "The notion of the government controlling to which markets capital is directed goes in the face of open market forces," Nadji says. "Markets without a bubble problem are primarily slow growth markets across the Midwest where there are not a lot of major economic drivers. It's allocating fuel to a fire that doesn't want to burn."

—CHRIS WOOD

Illustration by Funnel