

The Double Dip In Housing is Almost Here...

By [Washington's Blog](#)

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MarketWatch [writes](#) today:

The non-seasonally-adjusted S&P/Case-Shiller 20-city composite home-price index fell 1.3% on a monthly basis and 0.8% on an annual basis in October. Economists polled by Dow Jones Newswires had expected a 0.6% decline in the annual figure.

Prices hadn't dropped on an annual basis since January and are 29.6% below their peak.

"The double dip is almost here, as six cities set new lows for the period since the 2006 peaks," said David M. Blitzer, chairman of the index committee at Standard & Poor's. "There is no good news in October's report. Home prices across the country continue to fall."

S & P – as usual – is behind the curve. [Meredith Whitney](#), [Nouriel Roubini](#) (and [here](#)), [Zillow](#), [Case-Shiller](#) and others have been calling a double dip for some time.

Indeed, as I [noted](#) last month, the current real estate slump rivals the Great Depression:

Zillow's Stan Humphries [said](#):

The length and depth of the current housing recession is rivaling the Great Depression's real estate downturn, and, with encouraging signs fading, will easily eclipse it in the coming months.

During the Great Depression, home prices fell [25.9 percent](#) in five years. The U.S. housing market is now down around [25 percent](#) from its peak in 2006.

As housing price expert Robert Shiller [pointed out](#) in September 2008:

Home price declines are already approaching those in the Great Depression, when they plunged 30% during the 1930s [i.e. over a 10-year period]. With prices already down almost 20%, it's not a stretch to think we might exceed that drop this time around.

As I [wrote](#) in December 2008:

In the greatest financial crash of all time – the crash of the 1340s

in Italy [real estate prices fell by 50 percent by 1349 in Florence when boom became bust](#).

How does that compare to 2001-2007? [The price of Southern California homes is already down 41%](#) [that was before the first-time homebuyer credit, Hamp and other governmental programs temporarily boosted prices]. Southern California hasn't fallen as fast as some other areas, and we're nowhere near the bottom of the market.

Moreover, the bubble was not confined to the U.S. There was a worldwide bubble in real estate.

Indeed, the Economist magazine [wrote](#) in 2005 that the worldwide boom in residential real estate prices in this decade was "the biggest bubble in history". The Economist noted that - at that time - [the total value of residential property in developed countries rose by more than \\$30 trillion, to \\$70 trillion, over the past five years - an increase equal to the combined GDPs of those nations](#).

Housing bubbles are now bursting in [China](#), [France](#), [Spain](#), [Ireland](#), the [United Kingdom](#), [Eastern Europe](#), and [many other regions](#).

And the bubble in commercial real estate is also bursting worldwide. See [this](#).

In addition, the percentage of Americans who owned houses during the 1930s was [much lower](#) than today, which means that a larger portion of the public is being hurt from falling home prices today as compared to the Great Depression.

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