



Press Release

June 19, 2012

Oversupply Will Prevent Sustained Recovery in Home Prices

A Grave Risk of Further Price Declines Persists

New York, NY – June 19, 2012 – Contrary to the positive outlook for home prices expressed by many housing market observers, analysts at Radar Logic contend that excess housing inventory will prevent sustained home price gains for years, according to the [April 2012 RPX Monthly Housing Market Report](#) released today by [Radar Logic Incorporated](#).

Radar Logic also contends that there is a grave risk that economic forces outside the housing market will deliver a significant blow to housing demand. Given the excess supply in the market, such a reduction in demand could in turn result in another precipitous decline in housing prices.

The excess supply consists of homes that are currently on the market as well as homes that are not currently for sale but could enter the market when home prices start to strengthen. As home prices start to firm, home owners who are eager to sell but have been unable or unwilling to do so at prior price levels will put their homes on the market. The increase in supply will cut off price appreciation and, to the extent that the newly unleashed supply exceeds demand, push down home prices.

Quinn Eddins, Director of Research at Radar Logic and author of the RPX Monthly Housing Market Report, expresses skepticism about the positive signs to which bullish market observers refer when arguing that housing prices have reached bottom and are poised for a recovery.

“Housing bulls point to recent strength in home price indices and say that housing has bottomed and a recovery is either underway or on the horizon,” said Eddins. “But much of the recent strength in housing prices is the result of investor demand and mild winter weather, and the effects of both are likely to be temporary.”

Eddins also takes a skeptical view of claims that housing prices are poised for recovery because low home prices and low mortgage interest rates have increased housing affordability to record levels. He agrees with a recent article published by Andrew Davidson & Co. (“Measuring Housing Affordability and Home Price Equilibrium; Revisiting the Housing Bubble & Bust and HPI Modeling”, Quantitative Perspectives, June 2012), which says that when down payments and the availability of affordable mortgage products are taken into account, housing is not nearly as affordable as affordability indices that simply track home prices and interest rates would suggest.

The [complete April 2012 RPX Monthly Housing Market Report](#) is available on Radar Logic's website.

Report Methodology

The RPX Monthly Housing Market Report is produced by Radar Logic Incorporated, a New York-based real estate data and analytics company. These reports provide insight and detailed analysis of Radar Logic's 25 Metropolitan Statistical Areas (MSAs) and the Manhattan Condo market. This study is based on the premise that each of the MSAs, while having economic influences in common like credit and mortgage rates, is influenced primarily by local conditions.

Data in the RPX Monthly Housing Market Report reflect the 28-day aggregated value of Radar Logic Daily™ Prices. The price per square foot metric used is a powerful tool for analyzing housing markets because it significantly reduces the influence of property sizes on overall housing price trends, which can skew results. The Daily Prices for each MSA are not adjusted for seasonal variations. In some cases, Daily Prices may vary based on reporting characteristics within individual MSAs.

The May 2012 RPX Monthly Housing Market Report will be released on July 26, 2012, at 4:00 PM EDT.

About Radar Logic

Radar Logic Incorporated, a real estate data and analytics company, calculates and publishes the Radar Logic Daily™ Prices. The prices track housing values for major U.S. metropolitan areas and are the basis of the Residential Property Index™ (RPX™), a market that enables real estate to be traded as a liquid asset via property derivatives marketed by major financial institutions. RPX allows real estate and financial professionals to manage opportunity and risk, invest in real estate values without owning physical assets and effectively analyze markets using a consistent metric: price per square foot.

For more information on Radar Logic and the RPX, including licensed dealers, please visit www.radarlogic.com.

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