



Press Release

October 21, 2010

Record Declines in Home Sales Continued in August

Uncertainty About Foreclosures Threatens to Cause New Declines in Home Prices

New York, NY – October 21, 2010 – Home sales across 25 of the largest metropolitan areas in the country declined roughly 10 percent in August compared to July, according to the [August 2010 RPX Monthly Housing Market Report](#) released today by [Radar Logic Incorporated](#). This was the largest decline in sales activity from July to August observed in Radar Logic's data set, which dates back to January 2000. The rapid declines in home sales during August are a continuation of the record declines from June to July, and reflect a continued weakening in demand for home purchases.

Clearly, potential homebuyers are growing wary of entering the housing markets, despite historically low mortgage rates. This wariness arises from concrete economic constraints as well as psychological barriers. The concrete constraints include widespread negative home equity, slow economic recovery and high unemployment. Widespread negative home equity prevents homeowners who might want to move from purchasing new homes due to the equity loss they would suffer upon the sale of their current homes. The slow pace of economic recovery and the high rate of unemployment limit new household formation, and thus the number of first-time homebuyers.

The chief psychological barrier currently reducing home sales is uncertainty over the future direction of home prices. This uncertainty springs from the economic constraints described above, as well as record rates of foreclosures and the huge and growing inventory of foreclosed homes currently for sale or in the pipeline.

The evolving crisis surrounding the foreclosure procedures of major financial firms threatens to greatly exacerbate the record declines in home sales. On one hand, interruptions to foreclosure proceedings limit the supply of distressed homes for sale, which account for over 25 percent of home sales. On the other hand, uncertainty about banks' legal standing to foreclose is driving down demand for homes sold by financial firms.

A potentially more dangerous issue is the growing uncertainty over ownership of loans and mortgage rights, which threatens to undermine the mortgage securitization process. If this happens, demand for all homes – bank-owned or otherwise – could be severely damaged. In light of the burgeoning supply of homes for sale, such a blow to demand could precipitate dramatic new declines in home prices.

"We are at a flex point in housing valuation," said Michael Feder, President and CEO of Radar Logic. "With record supply, already paltry demand and systemic threats to a possible correction, we remain terribly concerned about forward home prices."

The [complete August 2010 RPX Monthly Housing Market Report](#) is available for sale on Radar Logic's website. A complimentary executive summary is available with registration. To register, click [here](#).

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 September 2010 RPX Monthly Housing Market Report will be released on December 2, 2010, 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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