**January 25, 2011**

## As Expected, S&P/Case-Shiller Indices Show Continued, but Slower, Home Price Declines in November

As we predicted in last week's RPX Housing Market Report, the 10- and 20-City S&P/Case-Shiller composite indices for November, released today by Standard and Poor's, continued to decline on a month-over-month basis, but at a slower rate than the indices for October.

The deceleration in the decline of the S&P/Case-Shiller indices was predicted by stabilization in the 25-MSA RPX Composite prices for October, which we reported a month ago.

Notwithstanding the deceleration in the rate of home price declines, we believe that home prices will continue to weaken on a month-over-month basis until spring, and on a year-over-year basis through the end of 2011.

Given the current supply of homes for sale, the enormous shadow inventory of homes in bank inventories plus mortgages in default and foreclosure, and the millions of at-risk homeowners with negative equity in their homes, we do not expect home prices to increase on a sustained year-over-year basis until 2012.

Home prices will not recover on a sustained year-over-year basis until the supply overhang is reduced. If housing demand increases because of improvements in the employment and other sectors of the economy, financial institutions will respond by putting more of the homes in their inventories on the market, and home prices will remain depressed.

When the 2011 home-buying season begins in March or April, home prices may begin to improve on a month-over-month basis, but they will remain below levels at the same time of year during 2010. If home prices improve due to a seasonal uptick in demand in March or April, the improvement likely will be reflected in RPX prices published in May or June, and the S&P/Case-Shiller indices published in June or July.