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Homeownership rate drops

Slide to lowest in 50 years possible

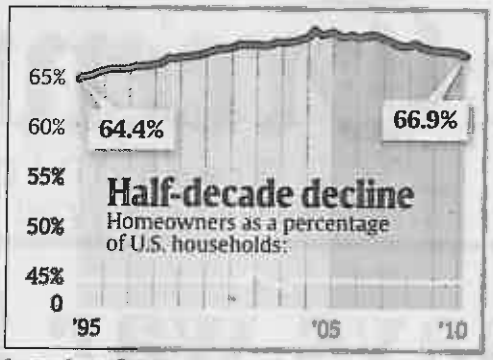
By Haya El Nasser
USA TODAY

Millions of houses on the verge of foreclosure threaten to send homeownership to its lowest level in 50 years, according to new industry estimates.

Fresh projections say the rate could plummet to about 62% as early as 2012 and almost certainly by the end of the decade. Homeownership rates haven't been this low since they hit 61.9% in 1960.

The share of households that own their homes has been sliding since the housing bubble burst in 2006. The rate fell again in the second quarter of this year to 66.9% — the lowest since 1999 — from a peak of 69.4% in 2004, the Census Bureau says.

"Anybody who knows anything about housing thought it would be flat in the second quarter," says John Burns, CEO of John Burns Real Estate Consulting, a national housing market analyst based in Irvine, Calif. "Homeownership fell during the quarter when government was offering a tax credit (to first-time home buyers). What do you think is going to happen now that there's no tax credit?"



Source: Census Bureau — By Julie Snider, USA TODAY

The continued decline — 0.5 points lower than the same time a year ago — points to a fast plunge, he says.

Burns estimates that 6 million of the 8 million homeowners who are behind on their mortgages will lose their homes to lenders in the next two years.

This "shadow inventory" could push ownership rates down to 61.7% within two years, Burns says.

Arthur C. Nelson, director of the University of Utah's Metropolitan Research Center, says the rate may not plunge that quickly because many foreclosed homes will be purchased by others.

Homeownership has been a cornerstone of the American dream because it has generally built personal assets and stable neighborhoods. Federal policy has long encouraged homeownership through the mortgage tax deduction and government-backed mortgages.

The push to own rather than rent now is being questioned. "A large percentage of households are not responsible enough to handle a mortgage payment," Burns says.

More stringent financing requirements may prevent some from buying.

"We've seen low-income homeowner rates declining by twice as much as higher-income groups," says Daniel McCue, senior research analyst at Harvard University's Joint Center for Housing Studies. "Everyone is looking harder at the benefits and potential risks of homeownership. Is it the right option for you?"

There are bargains for people who can take the plunge. "Affordability is very much in favor of homeownership right now," Burns says.