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# Price Drops to Continue

Home prices are likely to be lower in two years in more than one-quarter of the nation's housing markets, according to a new study by mortgage insurer PMI Group Inc.

The study "tells us ... that we are far from a rebound in prices," says PMI chief economist David Berson. The risk that home prices will be lower in the third quarter of 2010 increased in 97% of 381 metro areas, according to the PMI analysis, though in many markets that risk remains relatively low.

The markets with the greatest risk that home prices will be lower in two years include California's Inland Empire, the greater Miami area, Lake Havasu City-Kingman, Ariz., and Cape Coral-Fort Myers, Fla. Metro areas with the lowest chance of price declines include the Dallas-Fort Worth area, greater Houston and Pittsburgh.

In developing its risk index, PMI considers recent trends in home prices, housing affordability, unemployment rates and foreclosures, among other factors. The study included data through the third-quarter, but there was little sign of improvement since then, Mr. Berson says. Falling mortgage rates were a plus for the housing market, he says, "but offsetting that is the fact that unemployment rates are up everywhere, home prices fell further in the fourth quarter and the foreclosure rates probably increased in most places."

—Ruth Simon

### *German Retail Sale*

A real-estate fund run by AEW Europe, a unit of Paris-based Natixis Global Asset Management, has managed to sell a German department store to an institutional investor for a low 4.5% cap rate. It may be a sign that quality assets can still find willing buyers -- and perhaps that German property values still have a long way to fall.

AEW Europe, based in Paris, made a healthy profit on the deal. The fund bought the building, Hamburg's century-old Alsterhaus, in 2006 for €59 million with about €18 million of equity. After inking a new, 30-year-lease with the building's

main tenant, a German retail giant, and effectively doubling the rent, AEW sold it for €94 million, or \$126 million, to a client of IVG Institutional Funds in the deal announced on Tuesday.

The transaction was agreed to last fall, according to Ric Lewis, chief investment officer for AEW Europe. Mr. Lewis acknowledged that the German property market is "not priced correctly on a risk-return basis yet." One reason: German retail real-estate funds, which invest money from mom-and-pop investors, are still active and, Mr. Lewis said, "propping up prices."

—Anton Troianovski

### *Bailout Buddies*

The nation's struggling commercial real-estate owners and lenders won a key ally on Capitol Hill late last week when House Financial Services Committee Chairman Barney Frank introduced legislation that encouraged the Fed and the Treasury to extend a \$200 billion debt-relief program targeted at consumer debt to commercial real estate.

But they still aren't satisfied. In a letter sent Tuesday to Mr. Frank and Rep. Spencer Bachus, the committee's ranking minority member, a coalition of real-estate industry and other business groups urged lawmakers to establish a separate facility at the Federal Reserve Bank of New York for commercial real estate that is backstopped by the Troubled Asset Relief Program, or TARP.

"Many steps are needed to address this issue, but the first and most significant action would be for policy makers to request that the Treasury Department provide, at a minimum, \$20 billion in TARP funds to revive the broader private commercial mortgage markets," the letter stated.

—Jessica Holzer

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