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Forbes: Housing market risky

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Atop its glut of unsold houses and a record number of foreclosures, Greater Cincinnati and Northern Kentucky has now been tarred as one of the nation's riskiest housing markets.

The latest cause for regional ignominy comes from Forbes magazine, which rates the Cincinnati housing market as the eighth-riskiest because of its high loan-to-value ratios for homes and a higher-than-usual percentage of homes with adjustable-rate mortgages.

Miami tops the list of riskiest markets, followed by Orlando and Sacramento. Kansas City, at No. 7, lays claim to being the Midwestern city most vulnerable to rising interest rates and an economic downturn. Chicago is right behind Cincinnati.

Forbes looked at the nation's 40 biggest metro markets. Cincinnati, it wrote, is susceptible to trouble because its ratio of mortgage debt to home value, at more than 90 percent, is fifth-worst among the 40 cities.

Moreover, 30 percent of the city's mortgage loans have an adjustable interest rate, compared with a national average of about 24.6 percent.

Usually, the magazine said, the two indicators have an inverse relationship, that is, one is higher, the other lower. Not Cincinnati.

"This exposes the market to both price-decrease problems as well as interest-rate hikes," Forbes said.

The ranking offers a troubling outlook for a city whose housing market is in the dumps. Through May 31, sales of existing homes fell for the 13th straight month. Average resale prices in May were the lowest for that month in three years.

But local homebuilders take comfort in a study released in June that found a low likelihood of a further decline in prices of Cincinnati homes.

"The PMI (Mortgage Insurance Co.) U.S. Market Risk index showed that the Cincinnati MSA stands only a 7 percent chance that home prices will fall in the next two years," said Dan Hendricks, executive director of the Home Builders Association of Greater Cincinnati. "So, because homes here tend to hold their value, it's not likely that we will see the scenario written about in Forbes playing out here."

Nevertheless, banks are taking title to homes at a blistering pace, a phenomenon that hurts home prices.

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