



Home prices are already a third off their highs, but this summer could bring the real discounts.

Buyers are still cautious, and anxious sellers will have to price aggressively to get them off the fence.

That could result in a "summer clearance sale," predicts Pete Flint, CEO of Trulia, the real estate web site.

"We don't imagine a stampede of buyers, like outside of Macy's on Black Friday," he said. "We see this more akin to January sales where retailers are trying to get rid of stock before it gets stale."

Several factors, he said, will lead to blow-out prices:

Accelerating price drops: Home prices have already reached their lowest level since the housing bubble burst, and are now at 2002 levels. Sellers will feel the pressure to make deals before their homes lose even more value.

Bloated inventory: There are boatloads of homes on the market, more than eight months worth at the current rate of sales. Many are distressed properties -- short sales and bank repossessions. Such homes are selling at discounts up to 50%.

Tight credit: Some homebuyers still can't obtain mortgages, limiting demand.

Unemployment: While the job picture has brightened, unemployment is still around 9%. People without jobs don't buy homes, obviously, but high unemployment also rattles working people. Lacking the confidence that their jobs are secure, they may not look to buy.

These forces could all come to a head this summer, according to Flint, because of the cyclical nature of homebuying. Buying takes off in spring as many young families hope to make their moves before the new school year.

"By the end of the homebuying season, sellers will become increasingly desperate," said Flint.

10 Cities where houses are already dirt cheap

Adding to already swollen inventories will be a flood of new distressed properties poised to hit the market.

"By the summer, most of the 'robo-signing' delays will be over and more distressed properties will be on the market," said Celia Chen of Moody's analytics.

Many banks had slowed foreclosure proceedings until they made sure that paperwork was in order. That put hundreds of thousands of homes into foreclosure limbo: Borrowers were no longer making payments in many cases, but were allowed to remain living in the homes.

There's little urgency for buyers to act in this stagnant market because no one expects prices to turnaround, according to **Ken Johnson**, a real estate professor at Florida International University and co-author of a new study on whether it's better to buy or rent. Realizing that home prices will likely get even better, buyers can wait for even better deals.

"If people think we're at the bottom of the market, they'll act," he said.

Housing markets: best recovery bets

All the experts, however, are telling buyers that prices will continue to erode all through 2011. Even after that, no one is predicting outsized price gains.

"There will be a lousy housing market for another year or two," said Michael Larson, a housing analyst for Weiss Research.

Even if we're at or near the bottom, buyers are unlikely to see prices rise much if they wait.

"I myself continue to rent," said Johnson. "I know that even if I don't buy for a year, it's no big deal. Who cares if I miss the bottom if prices only go up a couple of points or so?"