

JULY 29, 2009

Home Prices Rise Across U.S.

*Bargain Hunting, Low Rates Drive First Gain in 3 Years; Double Dip Still Possible*By [NICK TIMIRAOS](#) and [KELLY EVANS](#)

Home prices in major U.S. cities registered the first monthly gain in nearly three years, according to a new report that provided fresh evidence that the severe U.S. housing downturn could be easing.

Standard & Poor's Case-Shiller index, which tracks home prices in 20 metropolitan areas, rose 0.5% for the three-month period ending in May, compared with the three months ending in April. It marked the index's first increase after 34 straight months of decline, and came after a variety of housing indicators has shown glimmers of hope for the past several months.

Home prices remained down about 17% from a year earlier, according to the index. According to S&P/Case-Schiller's seasonally adjusted numbers, which it began reporting only earlier this year, prices in May posted a 0.2% decline.

But most Wall Street economists who discussed the survey focused on the April-to-May rise, saying it represents a significant change in direction. Home prices in 15 of the 20 areas in the survey rose or remained stable.

The results were also consistent with other recent housing data, these economists said. Sales of new and existing homes rose for three consecutive months through June. Housing starts were up in June, and an index of builder sentiment rose in July, though both remained at low levels.

May's uptick came in part as home prices in some areas fell enough for investors and first-time buyers to begin competing for bargains, helping to ease the backlog of unsold homes.

Other likely sales spurs included mortgage rates that fell to 50-year lows, an \$8,000 federal-tax credit for first-time homebuyers and the ability of buyers to secure mortgages from the Federal Housing Administration with as little as 3.5% down.

The latest readings don't necessarily herald a full-blown recovery for the housing market or broader economy. Consumer confidence remains near record lows. The U.S. unemployment rate, at 9.5% in June, is expected to hit double digits before year end, making swift growth and an expanding labor force unlikely anytime soon.

The home-sale numbers surprised Robert Shiller, the Yale University economist who helped create the Case-Shiller indexes. "The change in momentum here is very significant," he said. Last month, Mr. Shiller forecast sustained home-price declines into the next few years, which he said now looks less plausible. He said he expects home prices to remain near current levels for the next five years.

Some analysts warn that the home-price uptick could reverse as rising unemployment causes more Americans to fall behind on their mortgage payments and end up in foreclosure.

One factor that apparently drove the March-through-May uptick was a falling share of homes sold at distressed prices, through foreclosure and so-called short sales. Distressed sales accounted for 33% of existing home sales in May and 31% in June, down from a high of nearly 50% earlier this year, according to the National Association of Realtors.

The drop in foreclosure sales was likely the product of U.S. banks' moratorium on home foreclosures, which they undertook as the government launched a round of programs to modify and refinance loans for at-risk borrowers. Most banks ended their foreclosure moratoria in March.

Interest rates also hovered at or below 5% for most of the March-May period, before rising in June.

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Home Prices Begin to Recover US Congress

The continued drop in home prices appears to be coming to an end according to a new report published in July 2009. The report indicated that home prices in major US cities have increased for the first time in almost three years. Overall, home prices remain down about 17% from a year earlier but home prices in June rose or remained stable in 15 of 20 areas. Most Wall Street economists believe this represents a significant shift in direction. One of the reasons for this increase in home prices is the historically low mortgage rates and an \$8,000 federal tax credit for first time homebuyers. Foreclosures have also fallen as the government has pushed a moratorium or freeze on mortgage payments for homeowners who are having trouble making payments. While these signs are encouraging to many economists, some warn home values could drop again as the effects of unemployment and low consumer confidence continue to be felt in the economy.

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The rise in home prices has a large economic impact on society both nationally and locally. If home prices continue to rise, it will allow those who need to sell their homes the opportunity to pay off their mortgage and have enough money to make a down payment on another home if they need to move. Additionally, if home values continue to rise, home owners will be able to take out home equity loans to purchase other goods they need or to finance college for their children. Since the economy depends on spending, the increase of borrowing represents a positive sign. With mortgage rates still at historic lows, buyers are still likely to purchase a home despite rising prices. On the negative side, there may be a few buyers who will no longer be able to afford to purchase homes as prices increase. If money continues to move through the economy with an increase in home purchases, the economy is likely to improve.

One paragraph (5 sentence minimum) analysis that discusses the impact on society using the article to come to a reasoned conclusion. THIS IS NOT AN OPINION. IT MUST BE ANALYTICALLY WRITTEN! NO FIRST OR SECOND PERSON!



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