

Home prices continue to creep up, but concerns linger

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James Mayer, The Oregonian

Home prices rose in June for a third straight month nationally -- and the fifth in a row in the Portland area -- as since-expired tax credits inspired a spurt of home-buying. But economists worry it won't last.

The Standard & Poor's/Case-Shiller home price index, released Tuesday, showed that Portland home prices increased 0.5 percent over the month before, and 0.2 percent from a year ago.

The firm's 20-city home price index posted a 1 percent increase from May to June and was up 4.2 percent from a year ago. Home prices nationally were up 4.8 percent in the second quarter compared with the first three months of the year, largely on the strength of federal homebuyer tax credits.

Eighteen cities showed price gains on a monthly basis. Prices in Seattle were unchanged, while prices in Las Vegas fell.

Nationally, prices have risen 6 percent from their April 2009 bottom. But they remain 28 percent below their July 2006 peak.

In Portland, prices have risen five percent from their low in March of this year, but they are still down 38 percent from the peak in August 2007.

Portland's fall in housing prices was not nearly as steep as some other cities experienced, said David Blitzer, managing director and chairman of Standard and Poor's index committee.

The city's recovery "beats Florida, but not many other places," Blitzer said.

In June, the 10-city and 20-city composites recorded annual returns of 5 percent and 4.2 percent, respectively. These two indices are reported at a monthly frequency and, after 16 consecutive months of improvement in their annual rates of return, June's figures were the first to moderate from their prior month's pace, pointing to a possible slowdown in home prices.

The numbers are encouraging, Blitzer said, but the tax credit has expired, foreclosures remain high, and the July sales data are likely to be weak.

"Even with concerns about near-term developments, we recognize that the housing market is in better shape than this time last year," Blitzer said.

"Further, California's cities have moved from some of the hardest hit to three of the four leading cities based on year-over-year gains. Among the other hard-hit cities, the news is also a bit encouraging -- Las Vegas, however, remains among the weaker cities."

In a conference call with reporters Tuesday, economists questioned whether the good news would continue.

Yale economics professor Robert Shiller said the futures markets for housing do not show a continuation of the upward trend.

"It leads to puzzling outlook for home prices, and an exceptionally uncertain time," Shiller said.

Karl Case, economics professor at Wellesley College, pointed out how cheap housing has become, with prices down 30 percent for the peak.

Combined with record low interest rates, monthly payments are down by about half, he said.

For example, at the peak of the bubble, a mortgage for a \$300,000 house at 6.5 percent would cost about \$1,500 a month. The same house now would run about \$815 a month.

--James Mayer

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