

## Home Prices Inch Up, but Outlook Murky

By [SARA MURRAY](#)

Home prices stabilized in October, but the latest reading on the S&P/Case-Shiller index of home prices didn't dispel fears that prices are heading for a second dip.



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5:00

Home prices appear to have stopped falling, but are we out of the housing woods yet? Robert Shiller, a founder of the S&P Case-Shiller home-price indexes, joins the News Hub panel.

Meanwhile, a separate Conference Board survey found that consumers turned more optimistic in December on their expectations that the economy will improve in the next six months.

The Case-Shiller index of home prices for 20 cities increased a seasonally adjusted 0.4% from September, the fifth consecutive monthly increase. Before seasonal adjustment, the index was unchanged. Home prices are 7.3% lower than a year ago, a less-steep annual rate of decline than in previous months.

The index, which is closely watched because it tracks the sale of the same houses over time, showed home prices in October were at the same level as they were in the fall of 2003 and 29% below the peak in the second quarter of 2006.

"All in all, this report should be described as flat," David Blitzer, the chairman of the S&P index committee, said in a statement.

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After plummeting during the recession, home prices began to rise in the summer as a tax credit for first-time home buyers spurred sales. Existing home sales have been strong recently. But sales of newly built homes have been soft, evidence that the housing market remains shaky.

The potential for another wave of foreclosures is clouding the housing outlook. One in four mortgages is greater than the market value of the underlying house, according to data from First American CoreLogic, said Patrick Newport, an IHS Global Insight economist. That could be a sign that more mortgages will head into foreclosure in coming months.

A stream of new foreclosures could flood the market and depress home prices. "Despite the recent positive reports on housing prices, we believe that prices have further to fall -- about another 5% to 10%," Mr. Newport wrote in a note to clients.

Economists don't expect the winter months to bring substantial improvements in home prices, as demand is usually lower. But adjusted for that seasonal trend, home prices on the whole seem to be stabilizing.

In October, seasonally adjusted home prices increased in 11 of the 20 cities included in the Case-Shiller index. Prices have recovered, albeit modestly, in some areas where the housing boom was less pronounced. Areas that were hardest-hit when the housing market collapsed are taking longer to recover.

### Real Time Economics

- [Economists React: Prices Have Further to Fall](#)
- [Sortable Chart: Home Prices by Metro Area](#)

Over the past year, house prices in Las Vegas, which have declined for 38 months, had taken the biggest hit; they are down 26.7%. Denver, meanwhile, has fared the best in the past 12 months. Prices there have fallen just 0.1% over the past year.

### Consumer Confidence Rises

Meanwhile, overall consumer confidence edged up, despite a drop in respondents' assessment of present conditions. The Conference Board index rose to 52.9 from 50.6 last month.

A portion of the index that tracks consumers' feelings about current economic conditions fell to its lowest point since February 1983, an indication that people are still feeling downtrodden about a labor market with a 10% jobless rate and tight credit conditions. Fewer consumers said they plan to buy homes than the month before.

But respondents' outlook was brighter about expectations for the economy's performance in the next six months. The expectations index rose this month to its highest level since December 2007 when the recession began.

Consumer confidence has recovered from the plunge it took earlier in the year but appears to have leveled off in recent months. "Confidence is still mired in recessionary territory," Steven Wood, chief economist for Insight Economics LLC, wrote in a note to clients. "Although the recession appears to be over, consumer attitudes are lagging behind broader economic developments."