

THE WALL STREET JOURNAL.

- WSJ.com

- JUNE 29, 2011

Declines in Home Prices Ease

By [NICK TIMIRAOS](#) And [S. MITRA KALITA](#)

Home prices slowed their pace of decline in April, feeding hope that housing is near a bottom. But tens of thousands of foreclosures and faltering consumer confidence are expected to leave markets bumping near their current level for the rest of the year.

Prices were up 0.7% in April when compared with March, according to the Standard & Poor's Case-Shiller 20-City index, a measure of home prices. But after accounting for seasonal factors—prices usually pick up at the start of the spring buying season—home prices were almost unchanged from March.

While the report doesn't mean that housing is on the mend, it does indicate that the past year's slide in housing prices could be easing. "It is much too early to tell if this is a turning point or simply due to some warmer weather," said David Blitzer, chairman of Standard & Poor's Index Committee.

More

- [Home Prices, by Metro Area](#)
- [Consumer Confidence Drops](#)

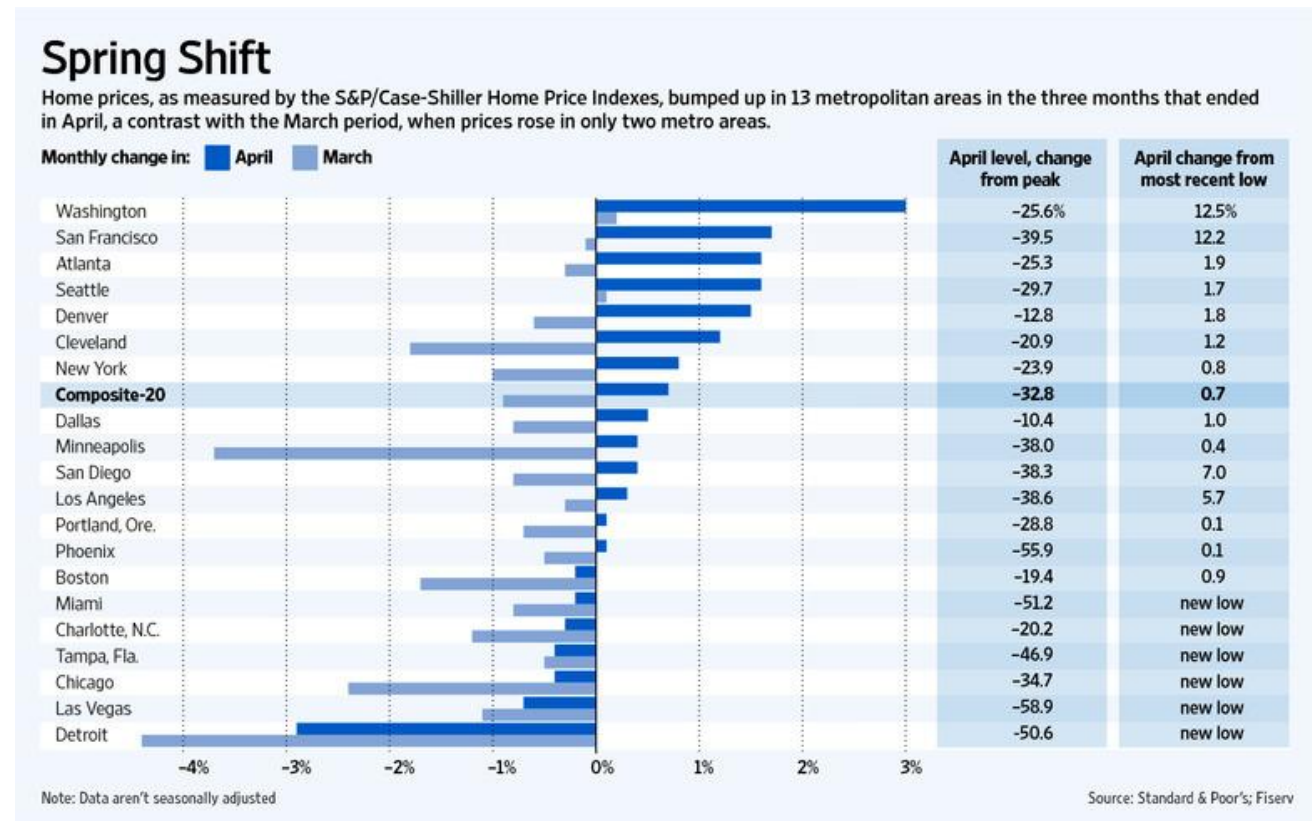
Part of the improvement in April reflects fewer sales, as a share of all sales, of bank-owned foreclosures and other distressed sales, which tend to pull down prices because they are sold at a large discount. During the winter, banks and mortgage investors stepped up their liquidations of foreclosed properties at fire-sale prices, sending home-price indexes lower.

"We're sort-of kind-of stabilizing, but there's no evidence yet that we're in any material rebound," said Thomas Lawler, an independent housing economist in Leesburg, Va. Some of the winter's declines were overstated because of the glut of foreclosed sales, and that suggests the numbers being reported for the spring "may also overstate the strength of the market," he said.

Home prices were up in 13 of the 20 Case-Shiller cities on a non-seasonally adjusted basis, led by Washington, which posted a 3% monthly increase. Atlanta, New York and Minneapolis also reported sizable gains. After adjusting for seasonal factors, eight of 20 cities showed gains.

The report showed that price declines were most severe at the low end of the market, where the concentration of foreclosed properties is the highest. Low prices have stoked competition between investors who can make all-cash bids and traditional buyers who must apply for mortgages. "With the

market as low as it was, we couldn't help but feel like it was the right time to buy," said Jessie Burns, who closed in March on a three-bedroom home in Norwalk, Conn.



Still, it hardly felt like a buyer's market for Ms. Burns and her husband. They looked at about 100 houses over the past year and put in a half-dozen offers before landing the \$325,000 home. "We learned to not even bother with foreclosures because investors always seemed to swoop in and offer cash," she said.

Nationally, home prices were down 4% from year-ago levels, compared with a 3.8% year-over-year decline in March. Prices fell 2.9% in Detroit, the largest drop among the 20 cities. Five others—Las Vegas; Tampa, Fla.; Chicago; Miami and Charlotte, N.C.—recorded new lows in April.

Tuesday's report offered good and bad news. The pace of home price declines has slowed, offering the first sign that the downturn triggered by the expiration of home-buyer tax credits last year has passed. "The spring selling season didn't vanish completely," said Daniel Alpert, managing director at Westwood Capital.

But the test is whether that pattern continues. Real-estate agents and home builders have reported disappointing spring sales activity so far. The National Association of Realtors is expected to report Wednesday an uptick in the level of home-purchase contracts signed during May. Many housing markets face a backlog of foreclosed houses that have been delayed by banks' difficulty processing paperwork.

While mortgage delinquencies peaked nearly 18 months ago, "there's still a lot of bad mortgages that are working their way through the pipeline," said Patrick Newport, an IHS Global Insight economist.

The upshot, economists say, is that many housing markets face a long, flat spell with prices bouncing along a bottom until more of the foreclosure backlog has been cleared and until consumer confidence improves.

A separate report Tuesday showed that consumer attitudes further soured this month. The Conference Board said its Consumer Confidence Index slipped to 58.5 in June from 61.7 in May, pushed lower by a sharp decline in consumer expectations for what the economy will hold six months from now. In a sign that the job market may have deteriorated, just 5.2% of consumers surveyed said that jobs were "plentiful" this month, down from 5.7% in May.

The report also showed inflation expectations eased, with consumers expecting prices to increase by 6% over the next 12 months, compared with the 6.5% they expected in May. That was probably due to the drop in gasoline prices, which as of Monday averaged \$3.57 a gallon according to the Energy Information Administration, down from \$3.79 at the end of May.

Courtesy of JB Goodwin