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Spring U.S. housing market hints at awaited recovery

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By [Julie Haviv](#) - Analysis

NEW YORK (Reuters) - It is a little too early to celebrate new life in the housing market, but Americans should soon have something to party about if the spring housing season is any gauge.

With sales rising and home price declines moderating in many regions of the country, the hard-hit U.S. housing market is showing some signs of stabilization.

"The long and painful crash in the housing market is coming to an end," said Mark Zandi, chief economist at Moody's Economy.com in West Chester, Pennsylvania.

However, analysts said bumps in the road remain for any sustained recovery as a frenzy of foreclosures loom large in the residential real estate market. Economists believe a steadier U.S. housing market-- in the midst of its worst downturn since the Great Depression -- is key to a turnaround.

April's home price data was one of the more encouraging signs of late. The Standard & Poor's/Case-Shiller Home Price Indices showed the annual decline of the 10-city and 20-city composite indexes improved, though prices are still falling.

On a month-over-month basis, S&P's index of 20 metropolitan areas showed home prices fell just 0.6 percent in April versus the 2.2 percent decline the prior month. Eight areas showed gains on a month-over-month basis, the most since June 2008.

David M. Blitzer, chairman of the Index Committee at Standard & Poor's in New York, said the market is improving, but cautioned against reading too much into one month's data.

"Some gains, however, can be chalked up to seasonal factors, so it may be too soon to call a recovery," he said.

Moody's Economy.com's Zandi said national home sales and housing starts have already hit bottom, but expects an additional 5 to 10 percent decline in prices. Prices could continue to fall until spring 2010, after already falling by 40 percent from their peak.

ACTIVE SPRING

The government's \$8,000 tax credit, part of the stimulus bill, for first-time home buyers, boosted sales this spring, the peak home buying season, particularly in the Northeast.

Massachusetts Association of Realtors President Gary Rogers, a broker at RE/MAX First Realty in Waltham, Massachusetts, said spring showed a pick-up in activity, especially among first-time home buyers, with multiple offers on homes.

"While sales have been down compared to last year, we've seen a steady increase in the number of sales and median home prices on a month-to-month basis," he said. "This steady climb gives us reason to be hopeful that we'll continue to move in a positive direction."

Sales of previously owned U.S. homes rose in May, marking the first back-to-back gain since September 2005, according to the National Association of Realtors.

Sales of newly built U.S. single-family homes slipped slightly in May after rising in April, according to the Commerce Department. But, sales of new homes actually rose in three out of four regions, with only the southern U.S. showing further declines.

"Spring sales were better than expected, largely due to the stabilization of home prices and the widespread belief that the economy is getting better," said Stephen Calk, chairman and CEO of Chicago Bancorp in Chicago. "Demand was fairly even among first-time home buyers and existing homeowners."

Chicago home prices were flat in April, a sharp improvement over the 3.1 percent decline the prior month.

SOME AREAS STILL STUNG

Las Vegas, however, is hurting, with home prices falling the most of all 20 metropolitan areas in April, down 3.5 percent compared to a 3.8 percent decline the prior month. Year-over-year, Las Vegas prices have fallen 32.2 percent.

Eileen Kraemer, a licensed Realtor at Century 21 AmeriDream Realty in Las Vegas, Nevada, said a second foreclosure wave is coming, with over 20,000 held back to help control the market. Kraemer, who is also an appraiser, said this will impact prices.

California, the nation's largest housing market, is being watched as a gauge for the climate of the country. In San Francisco, home prices rose 0.6 percent in April compared to the 2.2 percent decline the prior month. The state is currently coping with a budget crisis that is hurting its economy.

California, the Central Valley aside, will be one of the first housing markets to bottom out, while Florida will be one of the last, according to Moody's Economy.com's Zandi.

"The state is awash in housing inventories and the job market is very dependent on tourism and travel, retirees and real estate," he said.

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