Case-Shiller: Home Prices Accelerated Year Over Year

Prices Rise at Fastest Rate Since 2006

March 28, 2013 By William L. Pittenger, MAI, SRA

Existing home prices rose strongly in the three month period ending in January according to the recent S&P/Case-Shiller Home Price Indices. The indices are highly regarded and widely watched largely because they track repeat sales over a fairly lengthy time period. On a seasonally adjusted basis, the 10 city composite index rose 7.3% year over year as compared to the 5.9% increase reported for the three month period ending in December 2012. The 20 city composite rose 8.1% over the year as compared to the 6.8% increase reported a month earlier. All 20 cities posted year over year price increases. Atlanta, Detroit, Las Vegas, Los Angeles, Miami, Minneapolis, Phoenix and San Francisco all reported double digit gains. Phoenix, which was very hard hit during the recent recession posted a stunning 23.2% year over year increase while Las Vegas, also hard hit, turned in a 15.3% year over year gain. Both composite indices are shown at the left. The percentage year over year gains are shown in parentheses. For the first time in over five years, all metro areas in the 10 and 20 city indices experienced year over year increases. New York, the last hold out, is still weak but managed to post a small 0.6% gain. Prior to January, the New York metro area recorded negative annual performance for more than two years. Overall, both composite annual gains were the strongest since before the housing collapse which began in 2006.

Results on a month over month basis, that is, the three month period ending in January as compared to December were mixed. While the majority of cities recorded price increases, several posted small price declines. The eight cities recording declines were Chicago, Cleveland, Detroit, Minneapolis, Portland, San Diego, Seattle and Washington, D.C. In every case, the declines were fractional at less than one-percent. Given well documented seasonal patterns, weak month to month growth in the fall and winter is not surprising nor is it reason to suggest that the housing recovery is losing traction.

Despite the strong annual increases, prices are still significantly below their pre-recession highs. That too is not surprising since the run up during the middle of last decade was largely artificial and not supported by housing fundamentals such as real demand, demographics, income and more. As of January, both the 10 and 20 city composites are more than 29% below their peak levels as shown in the following table.

Peak To January 2013 Change

Metro (MSA)	Peak Month	Change
Composite 10	June 2006	-29.9%
Composite 20	July 2006	-29.2%
Boston	Sept 2005	-15.7%
Chicago	Sept 2006	-33.8%
Denver	Aug 2006	-4.4%
Las Vegas	Aug 2006	-55.7%
Los Angeles	Sept 2006	-34.2%
Miami	Dec 2006	-45.3%
New York	June 2006	-25.1%
San Diego	Nov 2005	-34.8%
San Francisco	May 2006	-32.5%
Washington	May 2006	-25.4%

When will prices return to pre-crash levels? As we've written in this space several times over the last few years, it took over 19 years for prices to recover after the Great Depression of the 1930s. History, in this case, may provide a clue but the reality is no one knows for sure. Robert Shiller, Yale economics professor and co-creator of the Case-Shiller survey was asked that same question in a recent CNBC interview. He replied, "*30 years, maybe 50 years, no one knows for sure."*

In our view, the housing recovery is real. It appears sustainable, barring of course, currently unforeseen economic shock. That is not to say that all of the risks are behind us. Indeed, headwinds remain fairly strong. The housing market has not yet achieved true equilibrium and some metro level price increases are being driven by low inventory levels; indeed the lowest in 12 years. As more homes come to market for sale, the rate of increase will almost certainly level out. Moreover, mortgage interest rates are being maintained at artificially low levels. Finally, several metros are experiencing bubble like conditions. Bubbles always burst and can do so at any time. Our view is that moderate volatility will continue into the foreseeable future but the overall trajectory is up.

S & P Case-Shiller Indices

The Case-Shiller Indices are perhaps the most widely followed U.S. housing price trend indices largely because they are based on repeat sales over a lengthy period of time. The indices include a national index as well as 10 and 20 city indices. They are presented as a three month moving average with a two month delay. Appreciation rates shown are year over year and on a seasonally adjusted basis.

Composite 10 Index (+7.3%)
Greater Boston
Chicago Metro
Denver Metro
Las Vegas Metro
Greater Los Angeles
Miami Metro
New York Metro
San Diego
San Francisco
Washington Metro

Composite 20 Index (+8.1%)
Phoenix Metro (+23.2%)
Greater Los Angeles (+12.1%)
San Diego (+9.8%)
San Francisco (+17.5%)
Denver Metro (+9.2%)
Washington Metro (+5.9%)
Miami Metro (+10.8%)
Tampa Bay Metro (+8.9%)
Atlanta Metro (+13.4%)
Chicago Metro (3.3%)
Greater Boston (+4.0%)
Detroit Metro (13.8%)
Minneapolis St. Paul (+12.1%)
Charlotte Metro (+6.0%)
Las Vegas Metro (+15.3%)
New York Metro (+0.6%)
Greater Cleveland (+4.8%)
Portland (OR) Metro (+8.3%)
Dallas Ft. Worth Metro (+7.0%)
Seattle Metro (+8.7%)

Cities shown in bold type are also on the Composite 10 Index.

The author is Senior Director, Economic and Consulting Services at Focus Valuation Advisors in Orlando, Florida. Contact Mr. Pittenger at Bill.pittenger@focusvaluation.net

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