

ECONOMIC REPORT

Home prices rise for first time in a year, FHFA says

Home values down 6.3% in past year, federal housing agency says

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WASHINGTON (MarketWatch) – U.S. home prices rose 1.7% in January compared with December, the Federal Housing Finance Agency reported Tuesday. It was the first monthly increase in a year.

Home prices are down 6.3% in the past year and are down 9.6% from the peak in April 2006, the agency said. In December, the year-over-year decline was 8.8%.

Video: Hope in the housing market



Stephann Cotton of Cotton & Co. explains that a recent survey on buyer confidence shows that 34% of those polled expect a housing-market bottom within six months and 65% see a bottom within 12 months. Kelsey Hubbard reports. (March 23)

Falling home values have helped to plunge the global financial system into chaos because of mortgage-backed securities. Homeowners have lost trillions of dollars of wealth.

The "unexpected rise" in January was partially due to stronger sales in some markets, FHFA said. The FHFA index attempts to control for such changes in sales patterns, but the adjustment is not perfect, the agency said. The agency warned that its estimate was uncertain and subject to large revisions.

December's index, originally reported as a 0.2% increase, was revised down to a 0.1% decline.

"While this is certainly good news, in our view it is too soon to call a turnaround in the cycle," wrote Charmaine Buskas, a senior economist for TD Securities. "We will have to see

several consecutive months of improved prices before a true turnaround can be called, and a significant inventory overhang remains."

Prices rose or were flat in eight of nine regions in January; only the Pacific states registered a decline, down 0.9%. Prices rose 3.9% in the East North Central region, which includes most of the Great Lakes states. Prices rose 3.6% in the South Atlantic region (from Delaware to Florida).

In the past year, prices are down in all nine regions, led by the Pacific with a 21.1% decline. The smallest price decline has been the 0.4% drop in the West South Central (which includes Texas, Oklahoma, Arkansas and Louisiana).

The FHFA index tracks the whole country, relying on data from Fannie Mae and Freddie Mac. It has a broad geographic reach, but it missed most of purchases financed by subprime loans earlier in the decade because those loans were not funded by or guaranteed by Fannie or Freddie.

The Case-Shiller index, a separate price index that has less geographic reach but better coverage of the bubble mortgages, shows a much larger price decline of 18.6% in 2008 and a drop of 27% from the peak. The Case-Shiller index for January will be released next Tuesday. ■

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