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Home-Price Growth Picks Up Speed

By Kris
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Prices of existing homes rose in the fourth quarter at an accelerating pace. Photo: Bloomberg News

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Growth in home prices quickened at the end of last year—depending on the region.

The median sale price of an existing home was \$208,700 last quarter, up 6% from a year earlier, according to a report released Wednesday by the National Association of Realtors. That marked a quickening pace from the third quarter, when prices were up 4.8% from a year earlier.

Of the 175 U.S. metro areas covered in the report, 86% registered increases in their median price on finalized sales

in the fourth quarter from a year ago. In comparison, only 73% posted year-over-year gains in the third quarter. The biggest gains were seen in some of the areas hardest hit during the housing-market downturn.

Driving the gains: the supply of homes available for sale remained relatively tight and demand was stoked by the improving economy and low interest rates.

To wit, the supply of homes available for resale in the fourth quarter amounted to 4.9 months, meaning it would take that long to burn through that inventory at the current sales pace. That's roughly in line with the supply level of the comparable year-earlier period. However, it's short of the supply typically considered representative of a healthy market: six to seven months.

Meanwhile, the volume of resales declined by 1% in the fourth quarter from the third to nearly 5.1 million homes.

"The factors driving demand are pretty steady," said Danielle Hale, director of housing statistics for the Realtor association. "The fact that demand is outpacing supply means that we see some acceleration in prices. Mortgage rates were quite low in the fourth quarter, and that played a role."

Median prices increased most steeply in several cities in Nevada, Florida and Illinois that are rebounding from dramatic declines, as well as in smaller, booming cities in Texas. The biggest gain came north of Dallas, where the Sherman-Dennison area posted a 21.1% increase from a year ago to a median price of \$128,200.

Many markets seeing the biggest price declines are in the Midwest and Northeast, led by South Bend, Ind., which was down 7.9%; Hartford, Conn., down 6.8%; Cape Girardeau, Mo., down 6.1%; Reading, Pa., down 5.5%; and Appleton, Wis., down 4.1%.

Some cities seeing the biggest gains simply are small markets that often register big swings from quarter to quarter, Ms. Hale said. Others, like the Naples, Fla., area, still are climbing back from to their historic pricing levels after the downturn.

To be sure, some previously hot markets, namely in energy-rich Texas, likely are headed for a slowdown due to economic ripple effects of the steep decline in oil prices of recent months. On Wednesday, the Houston Association of Realtors reported that pending sales were down 9.3% to 3,382.

The faster pace of home appreciation runs counter to the expectation of many economists that appreciation would start to slow last year and this year as more supply hit the market. But that supply is taking longer to arrive than expected.

The Realtors association has posited for months that the solution to the dearth of supply is more home construction. The 435,000 newly built homes that builders sold last year amounted to only 58% of their average annual output since 2000. That malaise might be lifting, since several big builders have reported in recent weeks that their sales have gained momentum since the fourth quarter.

In the Denver market, where homes listed for sale are scarce, Redfin real-estate agent Karla Kirkpatrick Adams said many homes are attracting multiple offers from would-be buyers. That's likely a factor in Denver area registering a 12.7% increase in its median resale price to \$314,800 in the fourth quarter from a year ago.

"I've had clients that were making offers on multiple houses and finding out that there were anywhere from five to 26 offers on every home that we bid on," Ms. Adams said last week.

In Seattle, Redfin agent Klaus Gosma held an open house on Jan. 24 and 25 for one of his listings, a three-bedroom home priced at \$350,000. The open house attracted 132 visitors. The house, built in 2008, received five offers and now is under contract for more than the list price. Mr. Gosma attributed the house's popularity to "a combination of low inventory and the price point being super attractive and affordable."

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