US home prices accelerated in February as sales rise

By CHRISTOPHER S. RUGABER

In this April 13, 2015 photo, a sign advertises homes for sale in Las Vegas. Standard & Poor's releases its 20-city home price index for February on Tuesday, April 28, 2015.

JOHN LOCHER — AP Photo

WASHINGTON — U.S. home prices climbed at a faster pace in February than the previous month, driven by higher sales and a limited supply of available houses.

The Standard & Poor's/Case-Shiller 20-city home price index rose 5 percent in February from 12 months earlier, S&P said Tuesday. That is up from a 4.5 percent pace in January.

Faster sales likely drove the price gain. Signed contracts to buy homes jumped in February, yet the number of Americans listing their homes for sale remains low. That has led to bidding wars in some cities.

Home prices are increasing at a more sustainable pace than in the past two years, when they rose at a double-digit pace for 14 straight months. Yet some economists warn that the ongoing increases may price many would-be buyers out of the market, particularly as pay gains remain weak.

"While slow and steady growth throughout the country may sound like an unambiguously good thing, some of these markets were unaffordable to begin with and are not getting any cheaper," said Patrick Newport, an economist at IHS Global Insight.

All 20 cities in the index reported year-over-year price gains in February. Home prices in Denver jumped 10 percent, the most of any city, followed by San Francisco with 9.8 percent. Denver is one of two cities, along with Dallas, where prices have surpassed their previous peak during the housing boom. Prices nationwide are 10 percent lower than the July 2006 peak.

Some areas may remain below their bubble peaks for years. Home prices in Las Vegas plunged nearly 62 percent during the housing bust and are still 41.5 percent below their previous peak, S&P said.

The Case-Shiller index covers roughly half of U.S. homes. The index measures prices compared with those in January 2000 and creates a three-month moving average. The February figures are the latest available.

Home sales rose at a healthy 6.1 percent pace in March to a seasonally adjusted annual rate of 5.19 million, the National Association of Realtors reported last week. That suggested the housing market may be returning to solid ground as the spring buying season gets underway.

Yet there aren't many homes on the market. Nationwide, the number of homes for sale is equal to 4.6 months of sales, below the six months that is typically available in a healthy housing market.

Building more new homes would help boost supply, but home construction has been weak. Developers are focused increasingly on building apartments and more expensive homes for wealthier buyers. Home builders began work on new houses and apartments at a seasonally adjusted annual rate of 926,000 in March, down 2.5 percent from the previous year.

One factor pushing up prices is a steady decline in so-called "distressed" sales, which include foreclosures and short sales. Short sales occur when the seller owes more on a home mortgage than the house is worth. Both usually sell at steep discounts to traditional home sales.

Real estate data provider CoreLogic said Tuesday that distressed sales fell to 13.5 percent of all sales in February, down from 16.5 percent a year earlier. Fewer lower-priced distressed sales push up overall prices.

That figure has dropped precipitously since it peaked at 32.4 percent in January 2009, during the worst of the housing bust and recession.

Still, the figures also show that the housing market is not yet back to normal. Distressed sales made up just 2 percent of all sales before the housing bust, CoreLogic said.