Home price rises easing, but not in hot markets

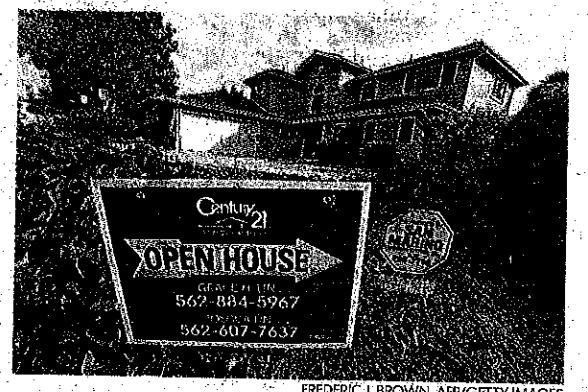
Western cities still sizzle — mostly due to tech incubators

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A long-standing climb in U.S. house prices may be slowing as a handful of hot cities drive the national market while other areas are cooling off.

The S&P/Case-Shiller national home price index, out last week, revealed that average prices rose a healthy 5.2% in March compared with a year earlier. The national price index is now just 4% off its 2006 peak after falling nearly 30% by 2012.

The welcome news, however, masks a tempering of the annual rise in the most recent two months, from 5.4% in January and 5.3% in February. While the dip may sound trivial and could be reversed, the index has followed sustained patterns the past two years. Before the recent moderation, yearly price increases widened for 11 straight months after bottoming out at 4.3% in February 2015. Previously, price appreciation topped out near 11% in late 2013, then narrowed 14 months in a row.



FREDERIC J. BROWN, AFP/GETTY IMAGES

Technology workers seeking relief from some of California's nosebleed home values are heading north. This home was for sale in April in Monterey Park, Calif.

"Once there's a change in direction, it's possible" it will continue, says Ralph McLaughlin, chief economist of online real estate site Trulia. He predicts home price inflation will settle into the 4% to 5% range in coming months, aiding buyers. McLaughlin attributes the downshift partly to sharp price increases that have outpaced wage gains, squeezing out low- and moderate-income first-time homebuyers. Also, he notes that U.S. job growth, while still healthy, slowed in both 2015 and the first four months of this year as the economic recovery has matured, providing less income for fledgling and move-up buyers.

Despite those headwinds, low housing inventories continue to stoke solid price increases, says David Blitzer, head of the Case-Shiller index's committee.

Here's a look at what's happening in markets that are still sizzling, hot but cooling a bit and not as hot.

▶ **Sizzling.** Three Western metro areas are leading the nation, with double-digit annual price gains in March of 12.3% in Portland, Ore., 10.8% in Seattle and 10% in Denver. All are technology hubs benefiting from an influx of skilled workers, many of whom have the salaries to afford high housing costs. The past year, Portland and Seattle also have drawn San Francisco technology workers seeking relief from that city's nosebleed home values, McLaughlin says.

In Seattle, tech companies such as Amazon are hiring briskly and the area's geography limits new home construction, says Patti Hill, head of the Seattle King County Association of Realtors and a local broker. About two-thirds of homes for sale are ensnared in bidding wars, she estimates, and there's just a 1.6-month supply of houses on the market compared with a healthy inventory of about six months' worth.

The Portland area, dubbed Silicon Forest, is home to a growing cluster of makers of computer chips, electronics displays and printers, as well as sneaker giant Nike. And with a still-affordable median price of $318,200, many units sell within a couple of days, says Jeff Wiren, a broker with Re-Max Equity Group.

▶ STORY CONTINUES ON 2B

▶ **Hot but cooling.** San Francisco still makes the top five of Case-Shiller's 20-city index, with prices up 8.5% the past year, but that's down from 11.1% in November. With values having recovered to a median $844,600, many middle-income buyers have been priced out.

Dallas, which rounds out the top five at 8.5%, continues to draw both new businesses and residents with low taxes and regulation. Average price increases, however, are below the recent 9.5% peak in December.

▶ **Not as hot.** New construction similarly appears to have trimmed price gains to 4.3% in Charlotte, says Charlotte-based economist Mark Vitner. Chicago and New York have seen a dip to 1.9% and 2.7%, respectively, partly because of slower job growth, Blitzer says.

And New York and Miami have seen lofty luxury home price increases tamed.