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Home prices bump up 1.3 percent in August

But pace has slowed since April peak

By Julie Schmit
USA Today

U.S. home prices were up 1.3 percent in August from July, but the peak rate of gain in home prices occurred in April, a widely watched index shows.

Data through August show prices were up 12.8 percent year over year, according to the Standard & Poor's Case-Shiller 20-city index.

Both the 10- and 20-city indexes showed their highest annual increases since February 2006, and all 20 cities reported positive year-over-year returns.

But while home prices continue to rise, it's at a slower pace each month since April. In August, 16 cities reported smaller gains compared with July.

Las Vegas led the cities with a monthly increase of 2.9 percent, its highest since August 2004. It's seen ramped-up buying activity from investors, given more distressed inventory coming on line.

Bay Area loses steam

Detroit and Los Angeles followed with monthly gains of 2 percent.

All 20 cities posted monthly gains in August but most showed deceleration compared with July. Seattle prices were up 0.5 percent in August. San Francisco has been losing momentum since April. Then, prices were up 4.9 percent compared with 0.9 percent in August, Case-Shiller says.

Las Vegas also led with a 29.2 percent one-year gain followed by San Francisco at 25.4 percent. On the other end of the range was New York, with a one-year gain of just 3.6 percent followed by Cleveland at 3.7 percent.

Tight inventory conditions likely drove the strong year-over-year home price growth in many of the cities, says economist Ellen Haberle of brokerage Redfin.

Buying is still 35 percent cheaper than renting in all of the 100 largest metropolitan regions, says Jed Kolko, Trulia economist.

Still, sales are likely to drop off in September and October because of seasonal declines and "buyer anxiety" from the U.S. government shutdown, Haberle says.

Other home price tracking services have shown slowing rates of appreciation amid higher interest rates, more homes for sale and slowing investor purchases.

U.S. home values were up 1.2 percent in the third quarter from the second, Zillow data show. That's down from a 2.5 percent jump in the second quarter from the first.

Sustainable balance

"Home value appreciation is better when it's boring," says Stan Humphries, Zillow economist. "It's good to see the pace of home value appreciation moderate, allowing the market to get back into a more sustainable balance and not topple over."

Pending home sales, too, declined in September for the fourth month in a row, a signal to expect lower home sales this quarter and a flat trend going into next year, the National Association of Realtors said Monday.