Home prices falling in most US cities

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NEW YORK — Home prices are falling in most major U.S. cities, and the average prices in four of them are at their lowest point in 11 years. Analysts expect further prices declines in most cities in the coming months.

The Standard & Poor's/Case-Shiller index released Tuesday shows home prices dropped in 19 cities from December to January. Eleven of them are at their lowest level since the housing bust, in 2006 and 2007. The index fell for the sixth straight month.

Home values in Atlanta, Las Vegas, Detroit and Cleveland are now below January 2000 levels. A majority of the metro areas tracked by the index now have home prices at levels dating back to 2003, just as the housing boom began.

The only market where prices rose was Washington, where homes prices gained 0.1 percent month over month.

"The housing market recession is not yet over, and none of the statistics are indicating any form of sustained recovery," said David M. Blitzer, chairman of the Index Committee at Standard & Poor's.

The housing market remains the heaviest burden on the economy, which is showing signs of strength elsewhere. Unemployment benefit applications are at pre-recession lows, consumers are spending more money and manufacturing activity is growing at its fastest rate in seven years.

By contrast, the housing market is coming off its worst year in more than a decade for sales of previously occupied homes and its worst in a half-century for sales of new homes.

High unemployment and tighter lending requirements have kept many people from entering the market. A record number of foreclosures and short sales — when the lender agrees to accept less than what the buyer owes on the mortgage — are pulling down home values. Many would-be buyers are waiting on the sidelines, fearing that the market has yet to bottom out.

"A lot of people are thinking the best thing to do is to stay put or delay until conditions improve," said Jonathan Basile, economist at Credit Suisse Securities.

Housing: The last holdout

Just what we needed: More bad news about housing. Homebuilders broke ground last month on the fewest number of homes in nearly two years.

That doesn't mean you should ignore the stocks of some homebuilders. The industry hopes for a turning point this spring, the busy season for home sales. No one expects a boom after five years of falling sales, but there have been small signs of improvement. Toll Brothers earned more than $3 million in its first quarter. A year earlier, it lost $40.8 million. The National Association of Home Builders expects new home sales to rise 8 percent this year, and 47 percent next year.

Stocks in homebuilders were among the hardest hit during the financial crisis. They're up 69 percent since March 9, 2009, when the market hit bottom. The S&P 500 is up 86 percent. The gain in builder stocks sounds impressive. But financial analysts wave investors away from most builders because a housing recovery is years away. They say these companies are worth buying because they see signs of growth:

	WEDNESDAY CLOSE	52-WEEK RANGE	MARKET VALUE	PRICE-EARNINGS RATIO*
M.D.C. Holdings (MDC)	$25.87	$24.50 – 39.28	$1.2 billion	not applicable

The number of developments where it sells homes is expected to rise 25 percent this year, says Credit Suisse analyst Daniel Oppenheim. The company builds in Maryland, Colorado, and eight other states. Analysts have an average target price of $30.75. That suggest the stock can rise 19 percent.

Toll Brothers (TOL)	$20.41	$15.57 – 23.57	$3.4 billion	65

Toll Brothers' customers tend to be wealthy. Toll says buyers put down 15 percent more in deposits during a spring sales promotion than they did last year. The company builds in 19 states. KeyBanc analyst Kenneth Zener has a price target of $25. That suggests gains of 22 percent over the next year.

Meritage Homes (MTH)	$23.13	$15.19 – 27.42	$747 million	105

Orders rose 15 percent in its last quarter. CEO Steven Hilton says 2011 will be profitable. Its business in Texas should offset weak markets like Arizona and Florida, says Wells Fargo's Carl Reichardt. Analysts have an average target price of $25. That suggests the stock can rise 8 percent.



SOURCES: AP research; Standard & Poor's Capital IQ; FactSet *based on past 12 months results

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