

Study says home prices not falling

In contrast to other reports, a Federal index shows house prices are higher than a year ago.

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May 31 2007: 3:35 PM EDT

NEW YORK (CNNMoney.com) -- Most studies say U.S. home prices are on the decline, but a new report from the federal government says just the opposite.

The Office of Federal Housing Enterprise Oversight (OFHEO), which has tracked prices for more than 30 years, said Thursday its housing price index grew 4.3 percent in the first quarter compared with a year ago. It was the slowest rate of growth in 10 years, however.

Earlier this month, the National Association of Realtors reported the latest national average home price dropped [1.8 percent](#) in the first quarter compared with a year ago. The Case-Shiller index, based, in part on OFHEO data, also showed [a drop in prices](#).

Part of the disparity between the OFHEO index and NAR prices may stem from the way each organization calculates change.

OFHEO's housing price index looks at differences in values when single-family homes are resold or refinanced. When borrowers refinance their mortgages, new home-value appraisals are made, and those numbers are factored into the OFHEO index.

(The agency has an additional index for purchase-only deals and reported that the values of homes sold during the 12-month period ended March 31 had risen slightly less than the overall index's 4.3 percent climb.)

NAR simply calculates the median sale price for each housing market. The median is a midpoint: it eliminates the impact an unusually large number of extremely expensive or very cheap properties would have on mean averages.

The values that NAR comes up with, however, do not take into account differences in the mix of homes sold. If more starter homes in lower-income neighborhoods were sold, and fewer larger homes in expensive neighborhoods changed hands, it could skew median prices lower.

And if a fast-growing area was adding virtually nothing but much cheaper houses, that would also make it seem like prices were increasing at a slower rate than they might actually be growing.

OFHEO hopes to get a clearer picture of house values by comparing selling prices of specific homes over time. Although it's considered an accurate barometer of prime movements and amplitudes, however, the OFHEO index has its own quirks.

The agency draws its data from Fannie Mae and Freddie Mac, the government-sponsored enterprises that purchase mortgage loans. Those agencies have limits to the size of loans they buy, which leaves out the impact of transactions involving more expensive homes.

The OFHEO index also may not account for additions to the living spaces of homes or changes in their general conditions.

One of its strengths, however, is that it does incorporate the statistics on some 31 million same-sale transactions over the years.

The OFHEO's index for the first quarter revealed that the metro area with the highest rate of home-price appreciation over the 12 months ended March 31, 2006 was Wenatchee, Washington, where houses jumped in value by a resounding 25.6 percent.

Other impressive increases were in Provo-Orem, Utah (19.7 percent) and Salt Lake City (19.1 percent).

Poorly performing metro areas included Punta Gorda, Florida, where prices fell 4.6 percent, Sacramento and Modesto, California, both down 4.4 percent.

Of the total of 285 metro areas listed, 237 had positive four-quarter appreciation, 46 had price declines, and prices were unchanged in two cities. ■

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