

Portland housing market stabilizes in December, but more worries ahead

By Ryan Frank, The Oregonian
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The Portland housing market continued to stabilize in December as prices rose for the sixth time in seven months, according to a key report issued Tuesday.

But the Standard & Poor's/Case-Shiller index also sparked fresh concern from economists that the market may slow again after the federal stimulus wears off.

The Portland market rose 0.5 percent between November and December in seasonally adjusted figures. Since May, prices are up 2 percent in the region.

Nationally, the seasonally adjusted 20-city composite index improved for the seventh straight month.

Portland's December gain ranked as the seventh largest. The sun-drenched West Coast markets that crashed hardest over the last two years continued to bounce back in December.

Los Angeles led all cities with a 1.4 percent increase from November to December in seasonally adjusted figures. Phoenix was up 1.2 percent, San Diego 1.1 percent and San Francisco up 1.0 percent.

Seattle rose 0.2 percent.

Since hitting bottom last spring, prices have rebounded considerably in some California markets. San Francisco is up 14 percent since March and San Diego is up 8 percent since May.

But economists added a note of caution for anyone who's expecting home prices to start climbing again.

The federal government has been propping up the housing market with interest rates below 5 percent, a home buyer tax credit and a mortgage modification push that's made lenders delay pushing delinquent loans into foreclosure.

At some point this year, economists expect that interest rates will tick up, the tax credit will go away this spring and the swelling ranks of foreclosures will eventually be put on the market. That new supply is expected to hold down prices.

Yale economist Robert J. Shiller, one of the index's founders, told CNBC on Tuesday, "This isn't a forecast, but it's a worry that home prices might drop substantially from here forward once this support is taken away. Mortgage rates will go up, the economy might double-dip, the expectations for housing which helped drive the market might change suddenly once people see this support being withdrawn."

David M. Blitzer, chairman of the Standard & Poor's index committee, also said in a statement that the housing market is "definitely in better shape than it was this time last year, as the pace of deterioration has stabilized for now. However, the rate of improvement seen during the summer of 2009 has not been sustained."

The Case-Shiller index is an average of three months. December's results cover sales of existing single-family homes in Oregon's Clackamas, Columbia, Multnomah, Washington and Yamhill counties and Washington's Clark and Skamania counties.

Tuesday's report was boosted by a surge in demand in October and November sparked by the expiration of the original home buyer tax credit.



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The index is based on a 100 value in January 2000. For a comparison, the region's median home price in December was \$242,200, according to the Regional Multiple Listing Service.

Since the May 2007 peak, the Portland-area home price index is down 19 percent.

Looking forward, Patrick M. Emerson, associate economics professor at Oregon State University, said the Portland market has worked it's way through the worst of the housing collapse.

He said prices have stabilized and he doesn't expect them to fall much again. But he also doesn't expect much price growth, either. "We are going to bump along the bottom for a while," he wrote in an e-mail.

Patrick Newport, U.S. economist for consulting firm IHS Global Insight, said despite the upbeat news, he expects prices fall another 5 percent.

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