

Denver among cities leading national surge in home prices

Biggest gains were in Seattle, Portland, Denver, which have topped Standard & Poor's CoreLogic Case-Shiller index for months

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WASHINGTON — U.S. home prices jumped in January from a year earlier at the fastest pace in nearly 2 ½ years, as a tight supply of houses for sale spurred bidding wars in many cities.

The Standard & Poor's CoreLogic Case-Shiller 20-city home price index, released Tuesday, increased 5.7 percent in January, the most since July 2014.

Americans stepped up home buying in January, even as mortgage rates rose. Many buyers likely sought to close their deals before rates increased further. The Federal Reserve implemented its third rate hike in two years March 15, but economists at S&P Dow Jones Indices say higher rates won't slow sales until later this year.

The biggest price gains were in Seattle, Portland and Denver, which have topped the other cities in the index for months.

Mark Fleming, chief economist at First American, said that still-low mortgage rates and steady hiring will likely support further housing demand.

“Low mortgage rates and economic growth set against a low inventory of homes for sale will drive a strong sellers' market and further rising prices this spring,” Fleming said.

David Blitzer, chairman of the S&P Dow Jones Index Committee, said that the Fed's most recent increase won't push up mortgage rates very much and shouldn't affect sales. Average 30-year mortgage rates typically track the yield on the 10-year Treasury note. That yield is usually driven by several factors, including broader economic conditions and investor demand for safe assets such as Treasuries.

Still, should the Fed raise rates three or four more times this year, “rising mortgage rates could become a concern,” Blitzer said. Fed officials currently forecast two additional hikes.

Robust price gains could eventually make housing less affordable, Blitzer said. That may already be discouraging some homeowners from “trading up” to a new home, making the supply crunch worse as fewer people put their homes up for sale.

“At some point, this process will force prices to level off and decline — however we don’t appear to be there yet,” Blitzer said.

There were just 1.75 million homes listed for sale in February, 6.4 percent lower than a year ago, near the lowest level since the National Association of Realtors began tracking the data in 1999.