



## ECONOMY

## U.S. Home Prices

By THE ASSOCIATED PRESS

WASHINGTON —  
Home prices rose 5 percent in July, marking a record annual pace in June.

The Standard &amp; Poor's Case-Shiller U.S. Home Price Index rose 5 percent in July, marking a record annual pace in June.

Home prices rose in the 20 cities in the index over the last 12 months. San Francisco posted the biggest gain, 10.4 percent, followed by Denver, with 10.3 percent.

Steady job growth and an economic recovery in its seventh year have encouraged more Americans to buy homes. That lifted sales to an eight-year high in July. Yet those buyers have bid up prices in many areas because the number of homes for sale remains limited.

The current housing inventory is equal to 5.2 months of sales. Six months is typical in a balanced housing market.

Price gains were much smaller in many Eastern and Midwestern cities. Home prices were just 1.7 percent higher in Washington, compared with 12 months earlier, and only 1.8 percent higher in Chicago. New York was up merely 1.9 percent.

Svenja Gudell, chief economist at the real estate data firm Zillow, said the housing market continued to improve despite some conflicting trends. "The market is continuing to heal and find its footing in a new environment, one where highly local factors matter more than national trends," she said.

The Case-Shiller index covers roughly half of American homes. The index measures prices compared with those in January 2000 and creates a three-month moving average. The July figures are the latest available.

Consistent price gains can make homeowners feel wealthier and more likely to spend, providing a boost to the economy. Higher home values also reduce the number of Americans who owe more on their mortgages than their homes are worth, a condition known as being "under water."

Still, housing faces several challenges in the coming months. Prices are rising at more than double the rate of wages, which have increased just 2.2 percent in the last 12 months. That is probably pricing many would-be buyers out of the market.

And while mortgage rates are still low, they could be headed up soon. The Federal Reserve chairwoman, Janet L. Yellen, has indicated that the central bank may raise short-term rates for the first time in nine years before the end of the year. That would eventually push up mortgage rates.

American consumers were feeling more confident again this month, the Conference Board, a business research group, also said on Tuesday. Its consumer confidence index rose again, to 103 in September, after surging in August to 101.3. The September reading was the highest one since January. Economists expected the index to fall this month.

"The surprising improvement in confidence suggests that the recent international turbulence has had little impact on consumers' domestic confidence," the economist Bricklin Dwyer of BNP Paribas wrote in a research note. "We expect consumption to continue to expand at a solid pace throughout the end of 2015."

Consumers' assessment of present economic conditions hit the highest level in eight years. More than 25 percent of Americans said jobs were plentiful, the highest since September 2007.

Expectations for the future fell slightly. Compared to August, however, a bigger share of Americans said they were planning to buy cars and homes over the next six months.

Still, another gauge of consumers' spirits, the University of Michigan's consumer sentiment index, fell this month to the lowest level in almost a year.

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Richard Curtin, chief economist for the Michigan survey, attributed the drop to worries that troubles overseas will hurt hiring and wages in the United States.

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