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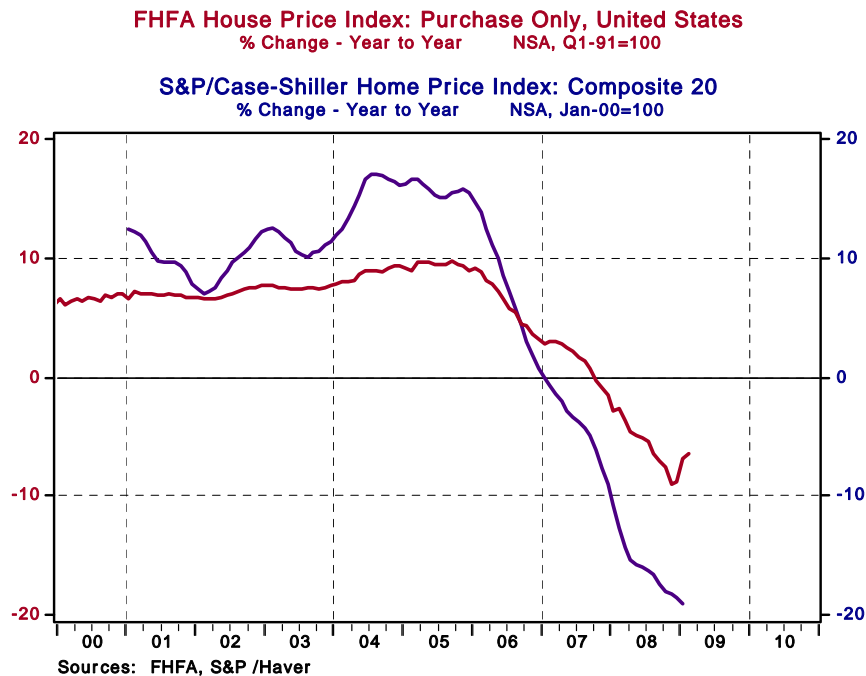
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House Price Index Points to Moderation in Pace of Decline

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The Federal Housing Finance Authority's (previously OFHEO) House Price Index (HPI) for February moved up 0.7% in February after a 1.1% increase in January. From a year ago the HPI dropped 6.43% compared with a 6.88% decline in January. The sharpest decline was recorded in November 2008 (-9.06%). The Case-Shiller Home Price Index for February will be published on April 28. In January the Case-Shiller Home Price Index fell 19% from a year ago following an 18.6% drop in December.

Chart 1



The median price of an existing single-family house, published by the National Association of Realtors, posted a 15% drop on a year-to-year basis in February. Two out of three house price indexes appear to have established a tentative bottom. The New York Times ([For Housing Crisis, the End Probably Isn't Near](#)) story suggests that additional price declines, probably of a large magnitude, are likely in the near term. The elevated level of inventories of unsold homes and the weakness in employment conditions support the conclusion of the article. However, we should bear in mind that other sectors of the economy are showing preliminary signs of stabilization that could translate into a recovery given the historical size of the monetary and fiscal policy stimulus put in place. The existing home sales report for March, to be published on April 23, should help to sort out the ambiguity somewhat though not entirely. The evidence is essentially mixed, for now.

Chart 2

NAR Median Sales Price: Existing 1-Family Homes, United States



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