

The data tables in the daily print version of IBD are now available online. Please click [here](#) to access now. Please note you will have to log in to access this feature.

# INVESTOR'S BUSINESS DAILY

---

## REAL ESTATE

---

### Americans Regain \$7 Trillion In Home Wealth As Housing Prices Climb

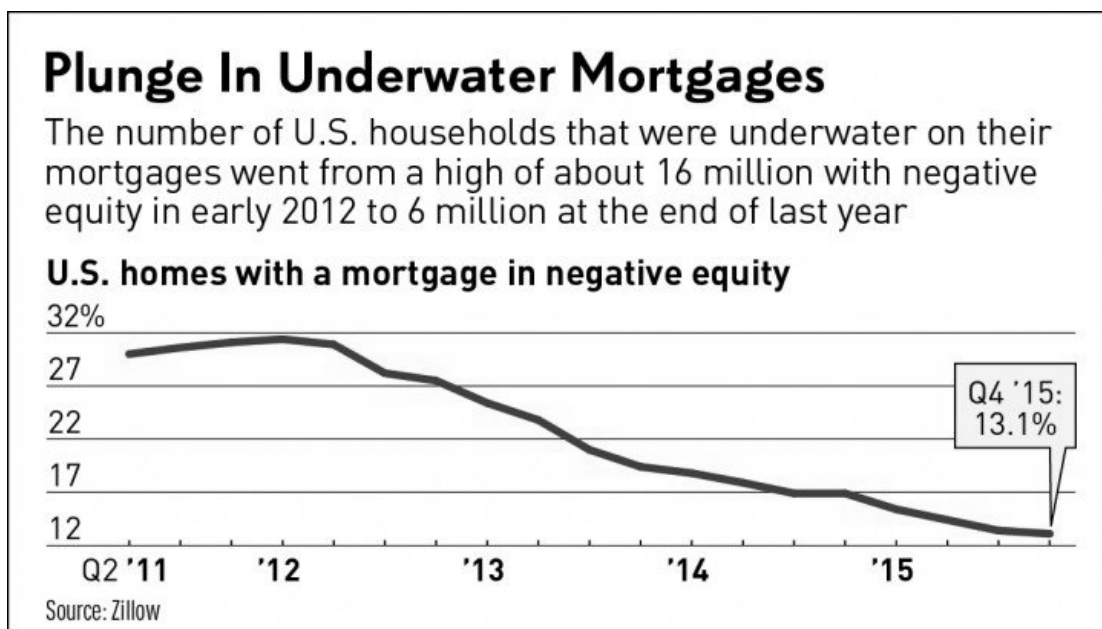


Housing prices in hard-hit Las Vegas remain 38% below the level reached during their peak in April 2006. (ZUMAPRESS.com/Newscom)

In March 2014, Steven and Bernadette Doherty paid \$183,000 for a two-bedroom home in Charlotte, N.C., \$6,000 more than its appraised value. Today, similar houses in the neighborhood are being priced at \$300,000 or more.

“We bought at the right time,” said Bernadette, a retired **Wells Fargo** (WFC) information technology worker. “In retrospect, we were lucky as prices have gone up so much more.”

Home-price appreciation is a welcome development for households whose nest eggs were shattered by the residential real-estate bust that began a decade ago.



The 2006-2009 housing slump reduced wealth by \$7 trillion. Since then, the value of

homeowners’ equity in real estate has more than doubled from a low in the first quarter of 2009, a recent Federal Reserve report showed. What’s more, housing wealth is poised to reach a new record as early as the second quarter, say economists at the Federal Reserve Bank of St. Louis and Pantheon Macroeconomics.

Improving property values are allowing homeowners to shake off recent stock-market volatility and keep spending. From the end of 2013 through last year’s fourth quarter, home equity climbed 22% compared with an 11% gain in the Standard & Poor’s 500 Index. The stock index has declined 3% this year.

“The increase in housing wealth is a kind of stealth offset to falling stock prices,” said Ian Shepherdson, chief economist at Pantheon Macroeconomics, who predicts record home equity values next quarter. “Homeownership is much wider than stock ownership. The consumption effect from a given rise in holdings has been bigger for homes.”

Some cities, including Charlotte, are already seeing prices at all-time highs. Home values in Dallas, Denver, San Francisco and Portland, Ore., all hit records in December, while they’re down less than 1% in Boston from an August peak, according to S&P/Case-Shiller indexes. About 38% of 87 U.S. metropolitan areas were in record territory last year, data tracker RealtyTrac figures show.

The housing bust, and the resulting recession that was the worst since the 1930s, has prompted 5.6 million American households to lose homes through foreclosure, according to RealtyTrac. At it’s worse, more than a quarter of homeowners had paper losses as their mortgages exceeded the value of their properties.

## Fewer Foreclosures

With some buyers having made minimal down payments, it only took small price declines to leave mortgages under water. Now, with the recovery in home values, that carnage has dissipated. Foreclosures were filed on just 95,186 properties in January, an almost 10-year low, RealtyTrac data show.

Even in the worst-hit markets, home equity is being restored. Just 8.5% of properties had so-called negative equity in the fourth quarter, with debt exceeding their value, according to a report this month by consumer analytics firm **CoreLogic** (CLGX), while a study by **Zillow** (Z) put it at 13.1%.

The number of homeowners with at least 20% equity is “rising rapidly,” Anand Nallathambi, president and chief executive officer of CoreLogic, said in a statement. “In 2016, we expect home equity levels to continue to build.”

For all the gains, the recovery in home equity has been uneven and narrower than in the 2002-2006 housing boom, said William Emmons, senior economic advisor at the St. Louis Fed's Center for Household Financial Stability.

"The wealth from housing has shifted from a broad swath to more concentration among families who are older, better educated, higher income, white and increasingly Asian, and who live more along the coastal areas," Emmons said.

Gains have been less than complete in some of the cities that were at the center of the housing bubble.

In Las Vegas, housing prices are 38% below the level reached in April 2006, according to the Case-Shiller index. Homes in Miami, Tampa and Phoenix are all fetching at least 25% less than they did at their peaks. Even so, property values in Las Vegas have recovered 61% from their low.

"We don't want to return to peak — that was craziness here," said Stephen Miller, economist at the University of Nevada, Las Vegas. "The housing price recovery has been nice. What we have is a Goldilocks — not too much, not too little."

"Underwater" homeowners are still an isolated concern. In Nevada, almost one-fifth of properties were upside down, followed by Florida, Illinois and Arizona. Among 10 large metro areas, Miami had the largest share of properties with negative equity — about 22% in the fourth quarter, according to CoreLogic.

"People are living with it, and waiting for things to get better," said Michael Orr, real estate professor at Arizona State University in Tempe. "The market is back to stable. It was the peak that was abnormal."

Greg Zorn, a real estate investor in Naples, Fla., bought a two-bedroom duplex in 2006 for \$310,000 and has rented the property for a decade. Ten years ago, Naples was ranked by IHS Global Insight economists as the most overvalued housing market in the nation, after prices surged 140% from 2001.

Zorn, 70, thought he had made a “pretty good deal” in a market where investors lined up to buy properties. Then the market cratered. “We tried to sell it, and there was no activity,” he said. With prices having recovered most of the losses, he has put the property on the market for \$280,000.

## **Strong Recovery**

In Charlotte, price gains have been led by in-town neighborhoods, which have seen “huge gains,” said Mark Vitner, a senior economist at Wells Fargo Securities who lives in the city. “Charlotte did not see home prices fall all that much during the recession, and the recovery here has been very strong.”

Doherty moved in-town because she and her husband enjoyed amenities and events including nice restaurants and professional football and basketball. They also wanted to be closer to their grandchildren.

The purchase has also helped fuel spending. After buying a “fixer-upper,” the couple poured more than \$100,000 into construction, repairing termite damage and installing new air conditioning, electrical fixtures, roofing and siding. Next year, they plan to expand with a new master-suite bedroom and bath that could cost another \$70,000.

Rising values of neighboring homes make them confident they are making a worthwhile investment.

“It was a little bit risky” to buy at the time, Doherty said. “The market has turned in our favor.”

### **Related:**

Home Prices Accelerate To 5.2% Gain: Case-Shiller

Startup Pursues Home-Equity Market From New Angle

Foreclosure Pipeline Is Down To A Trickle.

## 8% Annual Annuity Return

[advisorworld.com/CompareAnnuities](http://advisorworld.com/CompareAnnuities)

Get guaranteed lifetime income and reduced risks to retirees all here.

## Universal St

universalstudioshol

Buy Your 2016  
Exclusive Memt