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Home Prices Remain Under Pressure

By [SARA MURRAY](#)

Home prices have pulled out of their recession freefall but remain weak as concerns linger about the strength and durability of the economic recovery.

A composite index of 20 cities showed prices fell 0.5% in March from the prior month, not adjusted for seasonal fluctuations, according to an S&P/Case-Shiller report released Tuesday. The drop marked the sixth-straight month of decline.

But another report Tuesday showed consumer confidence strengthened in May as the improving labor market buoyed Americans' hopes for further economic gains.

Despite the recent monthly decreases, home prices in the 20-city index are up 2.3% compared to the same time last year when prices had plummeted. The national index rose 2% for the year.

A separate home price index also released Tuesday showed prices were up a seasonally adjusted 0.3% in March from the prior month, the Federal Housing Finance Agency said. For the year, it showed prices had declined by 2.2%.

While the two home price indices diverged in March, they outline the same overall trend of prices stabilizing after steep drops during the recession. But with the expiration of the homebuyer tax credit likely to pull down demand and the potential for more foreclosures, the housing market is still bouncing along at low levels.

"We're just going to go through an adjustment period," said Patrick Newport, an IHS Global Insight economist. "After it settles I think the market's going to start growing sustainably because the [labor] market's starting to create jobs."

Prices have snapped back the most in San Francisco and San Diego over the past year, up 16.2% and 10.8%, respectively, the Case-Shiller report showed. Home prices took the biggest hit in Las Vegas where they were down 12% for the year.

Meanwhile, the index of consumer confidence shot up in May, rising to 63.3 from 57.7 in April, the Conference Board said. It was the third monthly increase and was led by improvement in consumers' expectations of where the economy is headed. Americans' readings of current economic conditions also increased slightly.

The surge in confidence was likely spurred by April's strong jobs report, economists said. Indeed a smaller share of consumers said jobs were hard to get presently. Looking ahead, a larger percentage said there would be more jobs available and a smaller percentage said there would be fewer.

While it's still difficult to gauge whether economic uncertainty abroad will impact the U.S., "so far, consumers seem far less concerned by the European economic crisis and related stock market turmoil that has developed

over the past month," said Mark Vitner, a Wells Fargo Securities economist.

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