

Home prices in the Washington region are rising thanks to government employment while the national market weakened during the third quarter, according to a new report.

From July through September, average home prices in the Greater Washington area -- which includes Northern Virginia, part of West Virginia and Central Maryland -- increased by 4.5 percent compared with the corresponding period in 2009, according to the S&P/Case-Shiller Home Price Indices.

The Washington market was one of just five where prices increased -- San Diego, San Francisco and Los Angeles showed similar annual climbs, and Boston prices increased minimally.

Nationwide, prices dropped by 1.5 percent year-over-year during the third quarter.

David Blitzer, Standard & Poor's chairman of the Index Committee, said the area's job market is helping household incomes.

"Government employment ... tends to be stable and you have a hard time reducing it and laying people off," he said.

The unemployment rate for the Washington area in September was 5.9 percent, far below the national rate of 9.2 percent.

Washington was also just one of two markets -- Las Vegas is the other -- where prices increased from August to September. However, real estate agents and economists say 12-month comparisons are a better indicator of a market's health.

Prices were on the upswing in many cities from April through July, mostly boosted by government tax credits that have since expired. Job worries and record-high foreclosures are dampening buyer demand and weighing on prices.

Overall, home prices have a long way to go. While the 20-city index has risen nearly 6 percent from its April 2009 bottom, it remains more than 28 percent below its July 2006 peak. Nationwide, home prices are at roughly 2003 levels, the report said.

And many believe a national investigation into deceptive foreclosure practices will keep growth at bay for most metropolitan areas. In Prince George's County alone -- where foreclosure rates are among the highest in the region -- lawyers are reviewing 14,500 cases. Analysts say the investigation will create a backlog of foreclosures that will further depress home values when they hit the market.

"It's a painful process for homeowners, but the foreclosure process is necessary and we need to work through it as quickly as possible in order for the housing market to bottom out and begin to strengthen," Richmond Federal Reserve economist Andy Bauer said last month.

But given the Washington market's historic performance of faring better than the national average, Blitzer said the effect here may be mitigated.

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