

6 Signs Your Home Will Increase in Value

FOR NEARLY TWO YEARS, home values plummeted to pre-2003 levels. Now, [housing](#) markets within the country are showing the first signs of stabilizing.

According to the latest results from the Standard & Poor's Case-Shiller Home Price Indexes, which were released last week, 19 of the 20 metropolitan areas show an improvement in their annual rate of return, and 17 of the 20 metropolitan areas saw price increases in August over July. In September, existing-home sales increased to 5.57 million units, up 9.4% from August, according to the National Association of Realtors.

"We've already seen immediate signs of a housing recovery," says Ross DeVol, the director of regional economics at the Milken Institute, an independent economic think tank that tracks the [housing market](#). "But things were so depressed that coming off a low bottom could take a long time."

Helping to speed up the housing recovery are national policies including the first-time home buyer's tax credit and relatively low [mortgage](#) rates. Should the tax credit get extended — Senate Democrats reached a [compromise](#) last week — it will continue boosting home sales, says Mark Zandi, the chief economist at Moody's Economy.com. (Zandi says that the full credit will likely be in place through April.) Meanwhile, the Federal Reserve, which has been keeping [mortgage rates](#) artificially low, is scheduled to end that effort by March, which could temporarily increase demand for homes between now and then.

Of course, each housing market is regional and varies greatly from the other. Still, there are indicators [home owners](#) can rely on to see whether their home values are about to rise. Here are six.

The Unemployment Rate

It's quite simple: Without a job, you can't buy a home.

And as the unemployment rate rises, fewer individuals are capable of purchasing a home. That decreases the demand for homes, which drives prices down. (Currently, to get approved for a mortgage, you'll need to show proof of income, says DeVol.)

To find a city's unemployment rate, and whether it's rising or falling, visit the Bureau of Labor Statistics' [web site](#). The most recent [report](#), from Oct. 28, breaks down the unemployment rates in each state's major metropolitan areas and compares those numbers to the previous year.

Also, see if local businesses are hiring and if large corporations are moving into the area. More jobs leads to more employees who end up increasing demand for real estate in the area.

Rising incomes

House hunters who want to dig a little deeper can look at the average or median change in income among households in a particular neighborhood.

At a minimum, confirm that incomes are being adjusted for inflation (or ideally rising). Homeowners who have stagnant or decreasing salaries may not have much cash left over after they pay their mortgage; as a result, they might not maintain their homes or stay on top of repairs, which could lower a home's value and even its neighboring homes' values, says Zandi.

The Bureau of Economic Analysis (BEA) offers some **insight** on personal income. Click **here** and choose "Per capita personal income" and "All Metropolitan Areas" to see how an area's personal income compares to others and to previous years. A big drawback is that the data released this year ends with 2007 figures. (The BEA will release 2008 data in April 2010.) For state data, click **here**; the numbers are more current (they run through the second quarter of 2009) and show changes in personal income on a quarterly basis.

Another source is your state's online employment departments (most states have them). The site should include average salaries for specific occupations in each county. California residents, for example, can visit this **web site** and click **here** to plug in an occupation and county and to find salary information.

Fewer Foreclosure Filings & Sales

On average, foreclosed homes sell for 30% less than similar homes in the same area, although the figure varies by housing market, says Rick Sharga, a senior vice president at RealtyTrac.com, which tracks foreclosures. In areas hit hardest, especially cities in Sunbelt states, **foreclosed homes** often sell at half the price.

As foreclosures increase, they drag the average price of homes in a neighborhood down.

Research foreclosed properties in a specific city or town on **RealtyTrac.com**. It follows the properties in various stages of foreclosure, including foreclosure filings, auctions and bank repossessions. Click on "Trends" up top to compare foreclosure activity with nearby areas. Some research is free, but for detailed information, including the property address and loan history, there's a seven-day free trial, and after that it costs \$49.95 a month.

The faster foreclosed homes are sold, the sooner home prices can stabilize. The Hope for Homeowner's Act of 2008 earmarked \$4 billion for communities to buy and fix foreclosed abandoned properties. Localities that receive a portion of this money will boost their home values since they'll be taking excess inventory off the market, says Sharga. Call your local government to find out if they've applied for this money.

Declining inventory

In most areas where "For Sale" signs are common, home prices are far from recovery.

In general, when more than 2% of homes in a neighborhood are selling at the same time, inventory is high, says Dean Baker, a co-director at the left-leaning Center for Economic Policy and Research. As the number of homes for sale decrease, **sellers** have more leverage and a better shot at getting an offer close to their asking price.

Look at the month's supply of inventory, or how many months it will take at the current sales place for inventory to be depleted. Five to six months is the normal range, but we're averaging just under 10 months, says DeVol. (This varies by metropolitan area.) Also, areas without new housing construction will likely see a recovery first since they have less inventory to sell, says Zandi.

On [Trulia.com](https://www.trulia.com), search a town or city to find how many homes are on the market. Then, click on the "Stats & Trends" tab up top and scroll down to the chart titled "Number of Listings," which will show whether listings are on the rise or declining. (One caveat: The comparison only goes back one month.) For more extensive comparisons, contact your local association of realtors.

Shrinking list-to-sales price ratios

On a national level, homes are selling at around 5% to 10% below their asking price, says Baker.

Look at list-to-sales price ratios, which is the difference between the listing price of a home and the price at which it sold. If the price difference is shrinking for an area that suggests the real estate market is improving, says Michael Evans, the president of the American Society of Appraisers and owner of Chico, Calif.-based Evans Appraisal Service, which appraises residential properties.

On some real estate web sites like [Prudential's](https://www.prudential.com), you can pull up listings that show the asking price for a home and the median home price for that neighborhood. Or, call an appraiser who can provide the average list-to-sales price ratio and a historical comparison.

Decreasing sales price

On the other hand, decreasing sales prices could mean that the housing market has hit its bottom, says Baker. They also guarantee that the buyer is getting into a market at a fraction of the price that buyers paid during the bubble.