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Home prices in 20 cities rose in the 12 months to November by the most in more than six years, showing the housing market will play a more central role in the U.S. economic expansion this year.

The S & P/Case-Shiller index of property values increased 5.5 percent from November 2011, the biggest year-over-year gain since August 2006, according to data released in New York Tuesday.

Confidence sank more than forecast in January as consumers were stung by a drop in takehome pay, another report showed.

Mortgage rates near a record low will probably spur a third consecutive advance in home sales this year, which will keep property values rising. The resulting gains in home equity may help support consumer sentiment and spending, the biggest part of the economy, softening the hit from the two percentage point increase in the payroll tax that took effect this month.

"Rising home prices are providing an important cushion," said Millan Mulraine, a New York-based economist at TD Securities, who correctly forecast the gain in values. Lower confidence and smaller paychecks "will slow consumer spending this quarter, but the effect will abate in coming months."

The New York-based Conference Board's sentiment index fell to 58.6 this month, the weakest since November 2011, from 66.7 in December, the private research group said. The 8.1-point drop was the biggest since August 2011, the month after lawmakers wrangled over how to trim the budget deficit.

"The souring in moods is a reflection of the brinkmanship in Washington and the

20-city home-price index to climb 5.6 percent. Estimates ranged from 3.4 percent to 6.4 percent.

The S & P/Case-Shiller index is based on a three-month average, which means the November data were influenced by transactions in October and September.

The index accelerated from a 4.2 percent year-to-year advance reported for October.

Home prices adjusted for seasonal variations climbed 0.6 percent in November from the prior month, matching October's increase. The month-over-month gain was led by San Francisco and Minneapolis.

The year-over-year gauge provides better indications of trends in prices, the group has said. The panel includes Karl Case and Robert Shiller, the economists who created the index. Year-over-year records began in 2001.

"There are a lot of good signs," Case said in an interview on Bloomberg Radio with Tom Keene. Nonetheless, "there's a long way to go before we would declare victory over this housing market."

Nineteen of the 20 cities in the index showed a year over year gain, led by a 22.8 percent jump in Phoenix and a 12.7 percent increase in San Francisco.

New York was the only city to show decreases both month to month and year to year. Over the 12-month period, values in the city decreased 1.2 percent.

"Housing is clearly recovering," David Blitzer, chairman of the S & P index committee, said in a statement. "These figures con-firm that housing is contributing to economic growth."

Combined sales of new and previously owned properties last year rose 9.9 percent, the biggest annual gain since 1998, data showed last week.

Lennar Corp., the largest U.S. homebuilder by market value, reported fiscal fourth-

“After years of home prices falling, in 2012 the trend turned positive, initially stabilizing and then allowing for price increases across the country.”

D.R. Horton Inc., the largest U.S. homebuilder by volume, said Tuesday that fiscal first quarter profit more than doubled as demand for new houses climbed. Orders jumped 39 percent to 5,259 homes. The company’s contract backlog, an indication of future sales, rose 80 percent to $1.76 billion.

Low borrowing costs are helping buyers who qualify for financing. The average rate on a 30-year fixed mortgage was at 3.42 percent last week, close to the 3.31 percent in November that was the lowest in data going back to 1972, according to McLean, Virginia-based Freddie Mac.

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