HOUSING CONNECTION

Mortgage and Real Estate News That Matters

Perfect Storm For Home Prices?

The growth of home prices nationally continued to accelerate in July according to the S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index. The National Index, which covers all nine U.S. census divisions, **rose 4.8 percent in July on an annual basis compared to a 4.3 percent** year-over-year gain in June. There was 0.8 percent appreciation month-over-month before seasonal adjustment and 0.4 percent afterward.

The 10-City Composite grew at an annual rate of 3.3 percent, up from 2.8 percent the previous month while to 20-City Composite posted a 3.9 percent increase compared to 3.5 percent in June. Each composite gained 0.6 percent before seasonal adjustment. The 10-City change was 0.5 percent and the 20-City was 0.6 percent post adjustment.

The report notes that data for March through June out of Wayne County, Michigan (Detroit), previously unavailable due to coronavirus related office closures is now online. However, there were not enough records for the month of July to generate a current valid index for the Detroit metro area.

In July, **18 of 19 cities (excluding Detroit) reported increases before seasonal adjustment.** Eighteen reported increases after adjustment as well.

Phoenix, Seattle, and Charlotte had the highest year-over-year gains among the 19 cities. Appreciation in Phoenix was an annual 9.2 percent, followed by Seattle at 7.0 percent and Charlotte with 6.0 percent. Sixteen of the 19 cities reported higher price increases in the year ending July 2020 versus the year ending June 2020.

CoreLogic Deputy Chief Economist Selma Hepp recapped the reasons behind the price gains. "The U.S. housing market has been caught up in a 'perfect storm' during the COVID-19 pandemic. Market resiliency persisted throughout the summer as traditional first-time buyers sought refuge in larger square footage and outdoor space, and buyers who had not been financially impacted by the pandemic sought second homes in resort, beach and mountain areas. Demand will likely keep home price growth strong over the coming months. And, continued price growth will help insulate homeowners' equity position, which will be particularly helpful to owners who have been financially impacted by the pandemic and opted for a forbearance program. Those homeowners may be able to sell a home without going through a short sale or a foreclosure."

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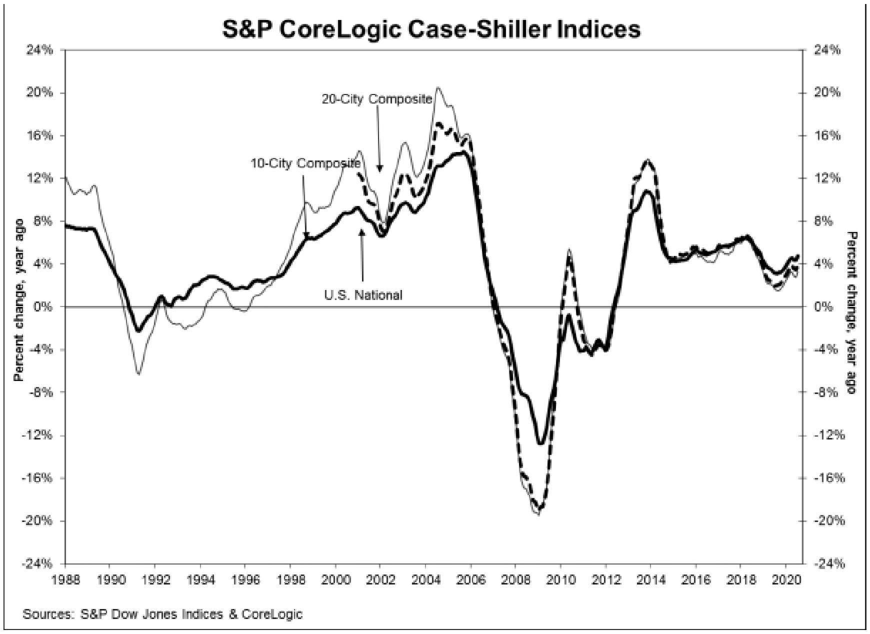

"Housing prices rose in July," says Craig J. Lazzara, Managing Director and Global Head of Index Investment Strategy at S&P Dow Jones Indices. "The National Composite Index gained 4.8 percent relative to its level a year ago, slightly ahead of June's 4.3 percent increase. The 10- and 20-City Composites (up 3.3 percent and 3.9 percent, respectively) also rose at an accelerating pace in July compared to June. The strength of the housing market was consistent nationally - all 19 cities for which we have July data rose, with 16 of them outpacing their June gains.

"In previous months, we've noted that a trend of accelerating increases in the National Composite Index began in August 2019. That trend was **interrupted in May and June, as price gains decelerated modestly, but now may have resumed.** Obviously more data will be required before we can say with confidence that any COVID-related deceleration is behind us.

"Phoenix's 9.2 percent increase topped the league table for July; this is the 14^{th} consecutive month in which Phoenix home prices rose more than those of any other city. Seattle (7.0 percent), Charlotte (6.0 percent) and Tampa (5.9 percent) continue to occupy the next three places, but there was some growth even in the worst performing cities, Chicago (0.8 percent) and New York (1.3 percent). Prices were particularly strong in the Southeast and West regions, and comparatively weak in the Midwest and Northeast."

The S&P CoreLogic Case-Shiller Home Price Indices are constructed to accurately track the price path of typical single-family home pairs for thousands of individual houses from the available universe of arms-length sales data. The National U.S. Home Price Index tracks the value of single-family housing within the United States. The indices have a base value of 100 in January 2000; thus, for example, a current index value of 150 translates to a 50 percent appreciation rate since January 2000 for a typical home located within the subject market.

As of May 2020, the National Index was at 221.64 compared to 219.82 in May. The 10- and 20-City Composites had readings of 236.94 and 225.13 compared to 236.94 and 225.13 the previous month. Los Angeles has the highest index reading at 301.20 and Cleveland (absent data on Detroit) the lowest at 134.38.