



Affordability Issues Expected to Dampen Home Price Gains

Home prices rose another 1.1 percent in November according to the CoreLogic report on its Home Price Index. **The year-over-year gain was 8.2 percent**, accelerating from the annual increase of 7.3 percent posted for October.

The company said that **home price growth remained consistently elevated throughout last year**. Home sales are expected to finish the year above their 2019 levels. Meanwhile, the availability of homes for sale has dwindled with increased demand as the pandemic deterred some potential home sellers from putting their homes on the market.

While the pandemic has created a lot of financial insecurity, those households which maintained employment and income stability have also been incentivized by the record low rates to buy. This has further increased demand. The rise in home prices is increasing downpayment requirements and exacerbating affordability issues, leaving lower-income families renting and priced-out of the home-purchase market.

Frank Nothaft, Chief Economist for CoreLogic said, "The demographic tailwind has arrived as Generation X and millennials drive housing demand. Lower-priced home values increased about one and a half times faster than higher-priced home values in November, as first-time buyers tend to seek out homes within the lower price ranges."

Slowing buyer demand, coupled with more supply in the coming year, is reflected in the CoreLogic HPI Forecast, which shows annual home price growth slowing from 7.5 percent during the first quarter of 2021 to 2.5 percent by November 2021. However, possible **stimulus actions could help spur home buyer demand** among low- and middle-income families and support stronger home price growth. The forecast projects the November 2020 to December 2020 increase at 0.2 percent.

Frank Martell, CoreLogic's President and CEO said, "The housing market performed remarkably well in 2020 despite the volatile economic state. While we can expect to see lingering effects of COVID-19 resurgences and subsequent shutdowns in the early months of 2021, vaccine distributions and stimulus actions should revitalize economic activity and keep home purchase demand and home price growth strong."

All states posted annual price increases in November. Those with the highest increases were Idaho (15.7 percent), Maine (15.4 percent), and Indiana (13.6 percent).

While national home price growth continues to accelerate, there is variability in local markets. Phoenix, with a severe shortage of homes for sale, saw a 12.6 percent annual increase in November while the New York-Jersey City-White Plains metro recorded a smaller-than-average annual increase of 3.2 percent as residents continued to **seek out more space in less densely populated areas**.

There is also variability in the CoreLogic forecast. In markets like Houston, which was hit hard by the collapse of the oil industry and the recent hurricane season, home prices are expected to decline 1.4 percent by November 2021. Conversely, in San Diego, home prices are expected to grow by 8.3 percent over the next 12 months as low inventory continues to drive increases.



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