



December Home Price Gains Shot Up 9% Annually

CoreLogic reports that December saw **yet another acceleration in home price increases**. The company's **Home Price Index (HPI)** rose **9.2 percent on an annual basis**. The increase in November was 8.2 percent. The month-over-month change, 1.1 percent, was also greater than the increase from October to November, 1.0 percent.

CoreLogic says the December data means the housing market closed out the year with the highest annual price gain since February 2014, **far exceeding expectations**. Other than a "blip" in April reflecting the initial shock of the pandemic, home-purchase demand surged as record-low mortgage rates persuaded first-time homebuyers to enter the market. COVID-19, however, did serve to damp down the supply of homes. Inventories dropped, on average, 24 percent below 2019 levels as homeowners delayed selling.

The combination of these factors led to significant price growth during the year. The monthly year-over-year gains from 2019 averaged 5.7 percent compared to 3.8 percent in 2019. The company added that the severe shortage of for-sale homes, may foster rising affordability concerns and result in some prospective buyers being priced out of the market in 2021.

Frank Martell, the company's president and CEO said, "At the start of the pandemic, many braced for a Great Recession-era collapse of the housing market. However, market conditions leading into the crisis - namely low home supply, desire for more space and millennial demand - **amplified the rapid acceleration of home prices**."

None of the states suffered price declines in December. The highest annual increases were in Idaho (19.1 percent), Indiana (16.1 percent), and Maine (15.2 percent). All top 10 metros saw home prices surpassing 2019 levels.

CoreLogic is forecasting that its HPI will increase on a month-over-month basis by 0.2 percent from December 2020 to January 2021. The annual increase for the 12 months that will end December 2021 is projected at 2.9 percent.

CoreLogic's chief economists Frank Nothaft said, "Two record lows are fueling home price gains: for-sale inventory and mortgage rates. Prospective sellers with flexible timetables have opted to delay listing their home until the pandemic fades or they are vaccinated. We can **expect more inventory to come available in the second half of the year**, leading to slowing in price growth toward year-end."



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