HOUSING CONNECTION
Mortgage and Real Estate News That Matters

CoreLogic: Home Price Gains Expected to Slow to 2.7% by Next Year

Americans are continuing the trend started at the beginning of the pandemic 19 months ago, **seeking larger homes in areas with lower density and prices continue to skyrocket** for unattached dwellings in those areas. That's not to say that price gains are moderating in other areas as demand outstrips supply. The company's Home Price Index (HPI) set another record in July.

Over the 12 months ended in July, the HPI increased 18 percent. the largest annual growth in the U.S. index since the series began with the year ended in January 1977 and was 0.8 percentage point higher than in June. The July appreciation of detached properties (19.7 percent) was again the highest measured in the history of the index and was nearly double the 11.6 percent increase in attached properties.

We noted, in summarizing the June CoreLogic report, that **recent prices might be stabilizing**; the May to June increase of 2.3 percent was identical to the growth from April to May. Now in July, the month-over-month change ticked down, to 1.8 percent.

CoreLogic says, "With mortgage rates remaining near record lows, the ongoing challenges of persistent demand and constricted supply continue to put upward pressure on home prices. A recent CoreLogic survey of consumers looking to buy homes shows that, on average, 65.8 percent of respondents across all age cohorts strongly prefer standalone properties compared to other property types. Given the widespread demand and considering the number of standalone homes built during the past decade, the single-family market is estimated to be undersupplied by 4.35 million units by 2022."

At the state level, Idaho and Arizona again led the way with the strongest price growth at 33.6 percent and 28.4 percent, and Utah followed with a 25.7 gain. Among metros, Twin Falls, Idaho, experienced the highest annual increase for a third consecutive month at 39.8 percent and Bend, Oregon, ranked second at 37.1 percent. These top gainers exemplify the **trend toward more affordable locations with lower population density and attractive outdoor amenities.**

"Home price appreciation continues to escalate as millennials entering their prime home buying years, renters looking to escape skyrocketing rents and deep pocketed investors drive demand," said Frank Martell, president and CEO of CoreLogic. "On the supply side, it is also the result of chronic under building, especially of affordable stock. This lack of supply is unlikely to be resolved over the next 5 to 10 years without more aggressive incentives for builders to add new units."

CoreLogic's forward looking HPI projects that annual **home price gains will slow to 2.7 percent by next July** as ongoing affordability challenges deter some potential buyers and an expected uptick in new for-sale listings cause a slowdown in home price growth.

"July's annual home price growth was the most that we have ever seen in the 45-year history of the CoreLogic Home Price Index," said Dr. Frank Nothaft, chief economist at CoreLogic. "This price gain has far exceeded income growth and eroded affordability. In the coming months this will temper demand and lead to a slowing in price growth."

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