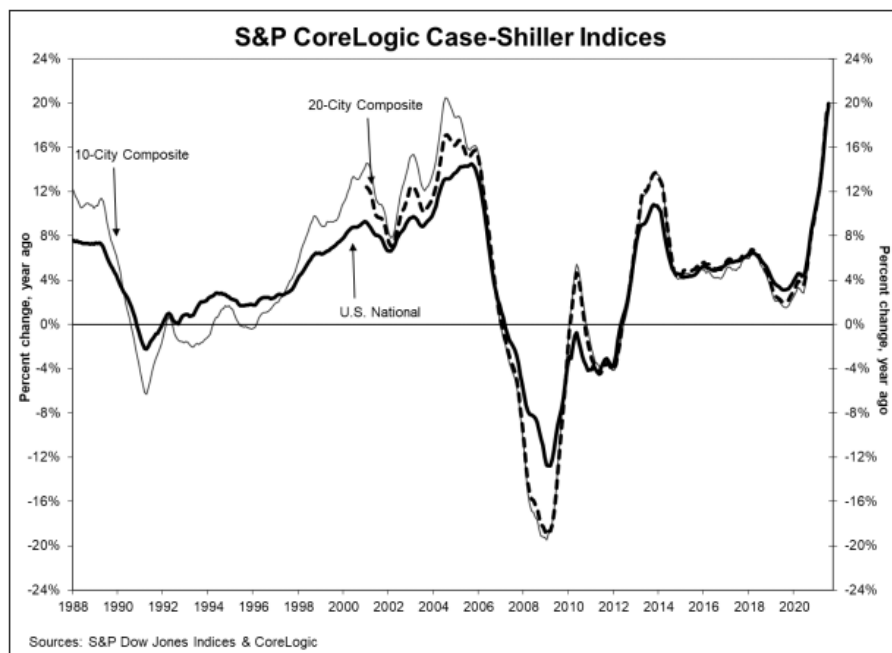




Interest Rates, Investor Buyers, a "Double-Whammy" for Price Growth

The Federal Housing Finance Agency (FHFA) and all three of the S&P CoreLogic Case-Shiller price indices posted annual price gains in excess of 19 percent in July. Each index accelerated from their rates of growth in June setting new price records.

Case-Shiller's National Home Price NSA Index, covering all nine U.S. census divisions, **rose 19.7 percent in July compared to 18.7 percent the previous month**. The 10-City and 20-City Composites gained 19.1 and 19.9 percent respectively, up from 18.5 percent and 19.1 percent.



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Phoenix posted the greatest appreciation among the 20 cities for the 26th month at 32.4 percent. Phoenix was followed by San Diego with a 27.8 percent annual increase and Seattle with 25.5 percent. Seventeen of the 20 cities reported higher price increases in the year ending July 2021 versus the year ending June 2021.

CoreLogic's deputy chief economist Selma Hepp recapped the current trends. "Summer's red-hot housing markets are evident in the latest home price indexes, which continue to climb to all-time highs. There's a surge of millennials approaching the prime home-buying age and are experiencing more flexibility to expand their search locations in light of the ongoing pandemic. Additionally, this cohort is still benefitting from historically low mortgage rates and coupled with an influx of investor buyers over the summer, this has created a double-whammy for home price growth. This continued **high buyer demand has even outstripped the improvements in the supply** of for-sale homes from the all-time lows experienced in the spring. Going forward, while there are indicators suggesting buyer pullback, it is still not enough to subdue home price growth before fall.

The National Index gained 1.5 percent on a seasonally adjusted basis compared to June and was 1.6 percent higher before adjustment. The 10-City Composite grew by 1.4 percent adjusted and 1.3 percent unadjusted while both versions of the 20-City were up 1.5 percent.

"Craig J. Lazzara, Managing Director and Global Head of Index Investment Strategy at S&P DJI said, "The last several months have been extraordinary not only in the level of price gains, but in the consistency of gains across the country. In July, all 20 cities rose, and 17 gained more in the 12 months ended in July than they had gained in the 12 months ended in June. Home prices in 19 of our 20 cities now stand at all-time highs, with the sole outlier (Chicago) only 0.3% below its 2006 peak. The National Composite, as well as the 10- and 20-City indices, are likewise at their all-time highs.

"July's 19.7% price gain for the National Composite is the highest reading in more than 30 years of S&P CoreLogic Case-Shiller data. This month, New York joined Boston, Charlotte, Cleveland, Dallas, Denver, and Seattle in recording their all-time highest 12-month gains. **Price gains in all 20 cities were in the top quintile of historical performance;** in 15 cities, price gains were in the top five percent of historical performance.

"We have previously suggested that the strength in the U.S. housing market is being driven in part by a reaction to the COVID pandemic, as potential buyers move from urban apartments to suburban homes. July's data are consistent with this hypothesis. This demand surge may simply represent an acceleration of purchases that would have occurred anyway over the next several years. Alternatively, there may have been a secular change in locational preferences, leading to a permanent shift in the demand curve for housing. More time and data will be required to analyze this question.

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.

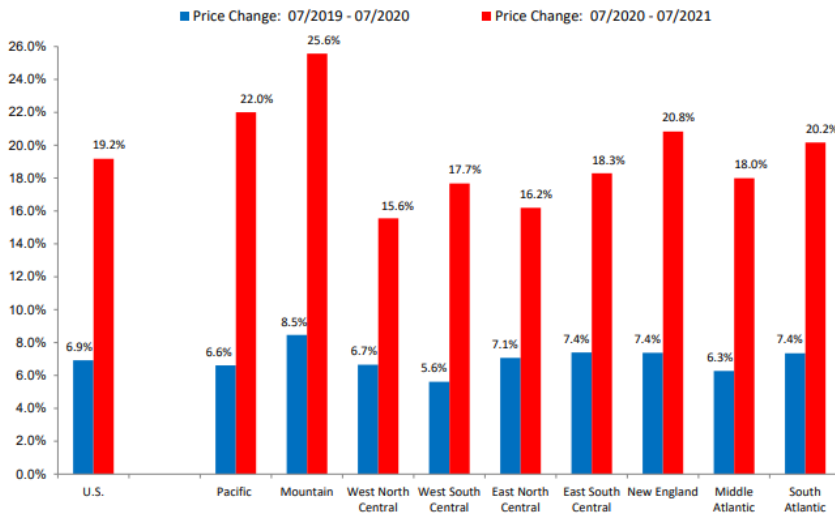
As of July 2021, the National Index was at 265.35 compared to 260.87 in June. The 10- and 20-City Composites had readings of 284.74 and 272.34 up from 280.86 and 268.21 the prior month. Los Angeles has the highest index reading at 358.50. Cleveland remains in last place with a reading of 156.02.

FHFA's House Price Index (HPI) **gained 19.2 percent over the 12 months ended in July.** The annual increase the prior month was 18.8 percent. On a month-over-month basis, appreciation was 1.4 percent. The previously reported 1.6 percent price change for June 2021 was revised upward to 1.7 percent.

For the nine census divisions, seasonally adjusted monthly house price changes from June went from gains of 0.8 percent in the West North Central division to 1.9 percent in the South Atlantic division. The 12-month changes ranged from 15.6 percent in the West North Central division to 25.6 percent in the Mountain division.

Twelve-Month Price Changes – Prior Year vs. Most Recent Year

Purchase-Only FHFA HPI® (Seasonally Adjusted, Nominal)



"Record appreciation rates for the U.S. continued in July," said Dr. Lynn Fisher, FHFA's Deputy Director of the Division of Research and Statistics. "Although the monthly pace of increase slowed in most Census Divisions in July, four areas experienced year over year growth rates in excess of 20 percent and all saw annual gains in excess of 15 percent."

The FHFA HPI tracks the price of homes purchased with financing backed by the GSEs Fannie Mae and Freddie Mac. The index was benchmarked at 100 in January 1991. The July reading was 348.4.