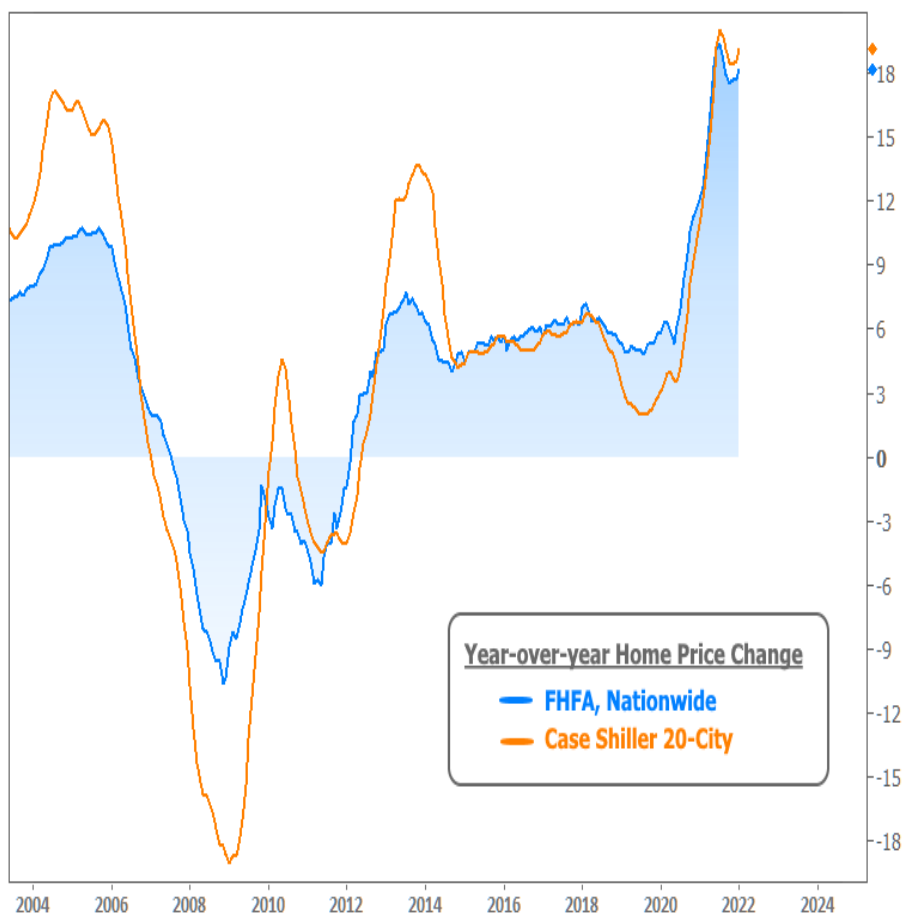




## Home Prices Moved Up Even Faster in January Despite Higher Rates

There's a friendly debate among economists and housing experts on the implications of 2022's massive spike in mortgage rates. According to some, higher rates will surely bring a quicker end to what was already an unsustainable trajectory for home prices. According to others, home prices are almost exclusively concerned with supply and demand, regardless of rates. As is usually the case, the truth is somewhere in the middle, but first things first: let's take a look at January's home price indices (HPIs) from both S&P Case-Shiller and the FHFA.



If that little uptick on the far right side of the chart leaves you wanting for detail, here are the vitals:

- **year-over-year** change in January vs last month
  - Case Shiller, National ...+19.2 vs 18.9
  - Case Shiller, 20-city..... +19.1 vs 18.6
  - FHFA, National .....+18.2 vs 17.7
- **month-over-month** change in January vs last month
  - Case Shiller, National....+1.6 vs 1.3
  - Case Shiller, 20-city..... +1.8 vs 1.4
  - FHFA, National .....+1.6 vs 1.3



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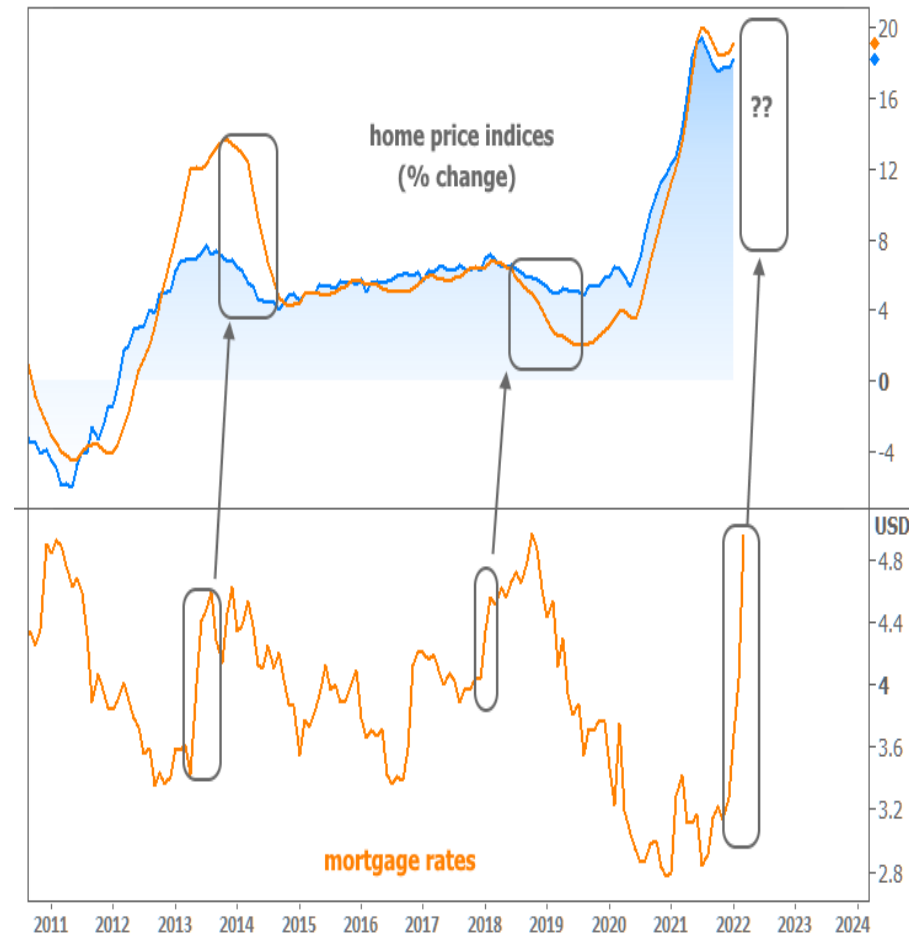
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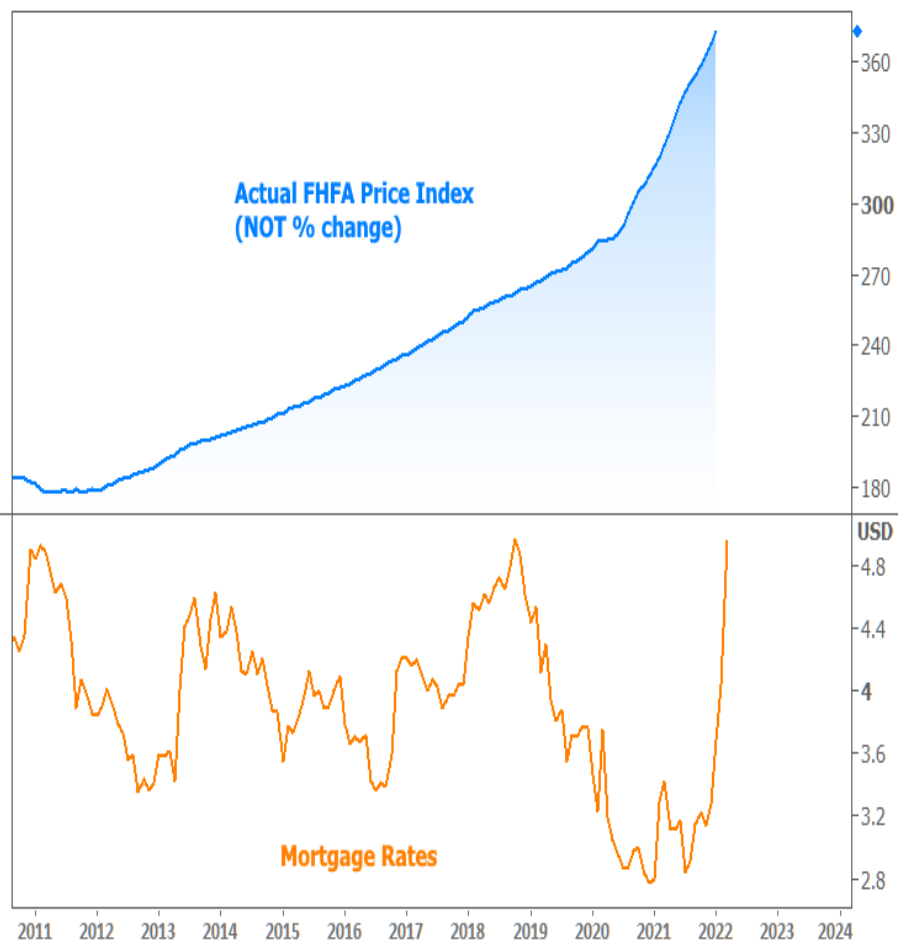
**VA Loan Guy**

In other words, price appreciation actually **accelerated** from December's levels. If that leaves you puzzled as to the paradoxical relationship with rising rates, we might instead suggest patience. While rising rates have rarely resulted in home prices dropping, the big spikes do eventually tend to show up in the form of **deceleration**. We wouldn't expect to see it yet based on the traditional lag time.

Factor in the unique supply/demand environment across the country and the paradox is completely forgivable for now. Here are the two HPIs again, this time with mortgage rates:



For the sake of clarity and in the spirit of avoiding confusion, please keep in mind that the charts above convey home prices in terms of **year-over-year change**. Any time the lines are above zero, prices are increasing. In other words, the highlighted mortgage rate spikes resulted in prices **decelerating** (not **decreasing**). Also, we're cognizant of the fact that rates are far from the only input for home prices. Here's how the chart would look with the raw price index only (NOT % change):



Bottom line: to whatever extent price gains decelerate in response to the recent mortgage rate spike, it's still too soon for that to be showing up in HPIs.