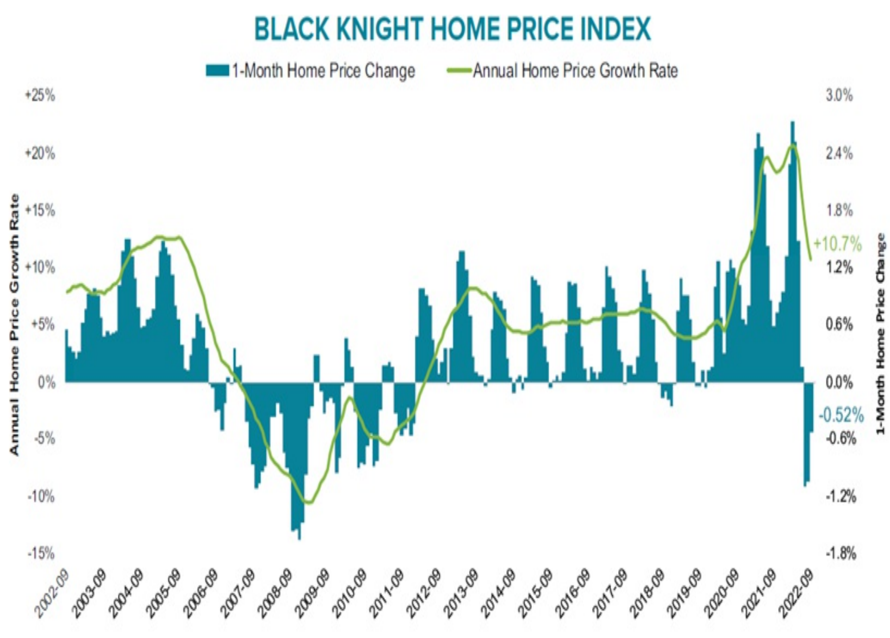
Early Indications Show September Home Prices Falling Less Than July/August

Roughly 2 weeks ago, home price indices (HPIs) from Case Shiller and the FHFA came out for the month of August. Both were in agreement that prices declined slightly more rapidly than they had in July. Here is our coverage of that news at the time:

Home Prices Fell Even Faster in August, But Still Up Big Year-Over-Year

Home price fluctuations are more interesting than normal right now for a few reasons. First off, prices had been going nowhere but up until this summer, and it wasn't until these past two months of HPIs that the data really reflected that. Additionally, July and August are important months for this to be occurring because Q3 is the last quarter of data needed to calculate a new conforming loan limit.

New data out today provides an early glimpse at September's trend. Black Knight's Mortgage Monitor includes an updated HPI. It shows September prices declining at roughly half of the pace seen in July and August.



Source: Black Knight Home Price Index (HPI)

Black Knight's price data tends to track fairly well with the FHFA data (which is used for the loan limit calculation). Compare the green line above to the blue line below (from our coverage on October 25th):

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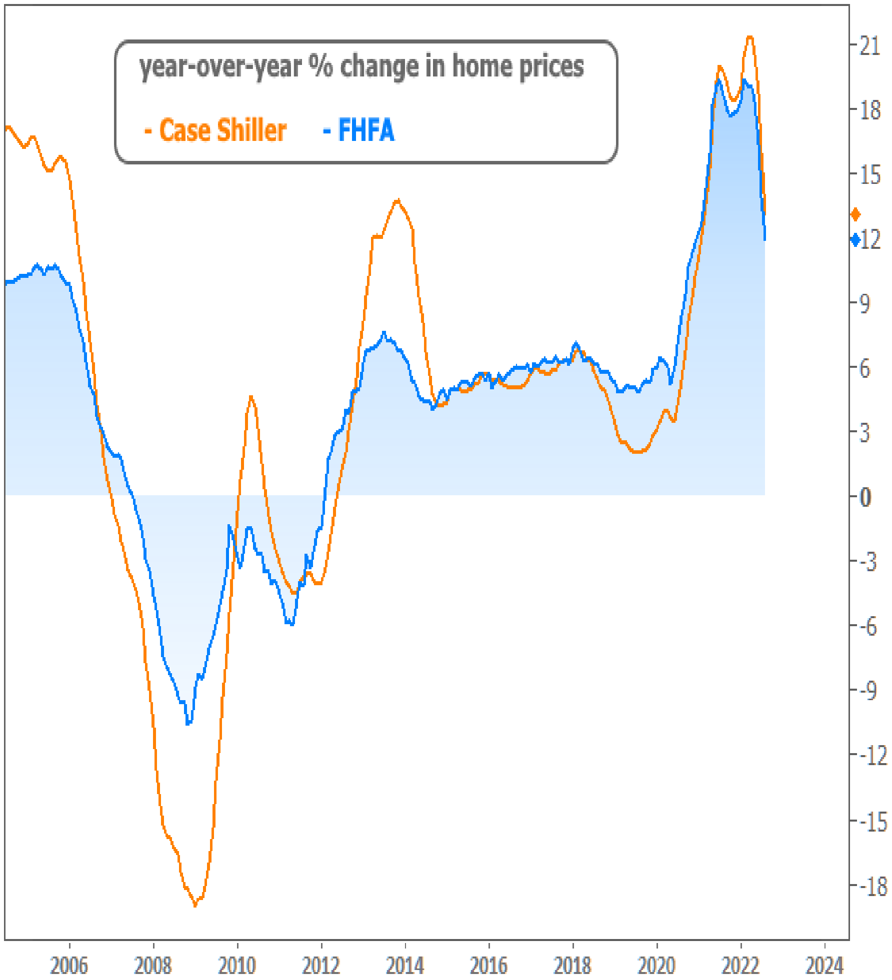

With Black Knight's annual appreciation level falling to 10.7%, it's not unlikely that FHFA numbers will show a similar decline when they come out at the end of the month. If the proportions are the same, FHFA price appreciation would fall to exactly 10.0% year-over-year, and the new implied conforming loan limit would be in the neighborhood of $711,800. NOTE: the hypothetical math above is just that: hypothetical. The new conforming loan limit for 2023 will not be finalized until Tuesday November 29th. Moreover, it is based on quarterly data that hasn't been updated since August (the preceding estimates are extrapolations based on monthly data which can vary slightly from the quarterly data).

Other highlights from Black Knight's Mortgage Monitor include:

- Even after the recent declines, prices in the 50 largest markets are still up 19-66% from the start of the pandemic
- Due to high home values and large month-over-month price declines, Black Knight calculations that $1.3 trillion in equity has been erased from the housing market in Q3.
- For the average borrower, that equates to an equity drop of $30k from earlier this year
- On the upside, Equity is $5 trillion higher from pre-pandemic levels, or $92k for the average mortgage holder