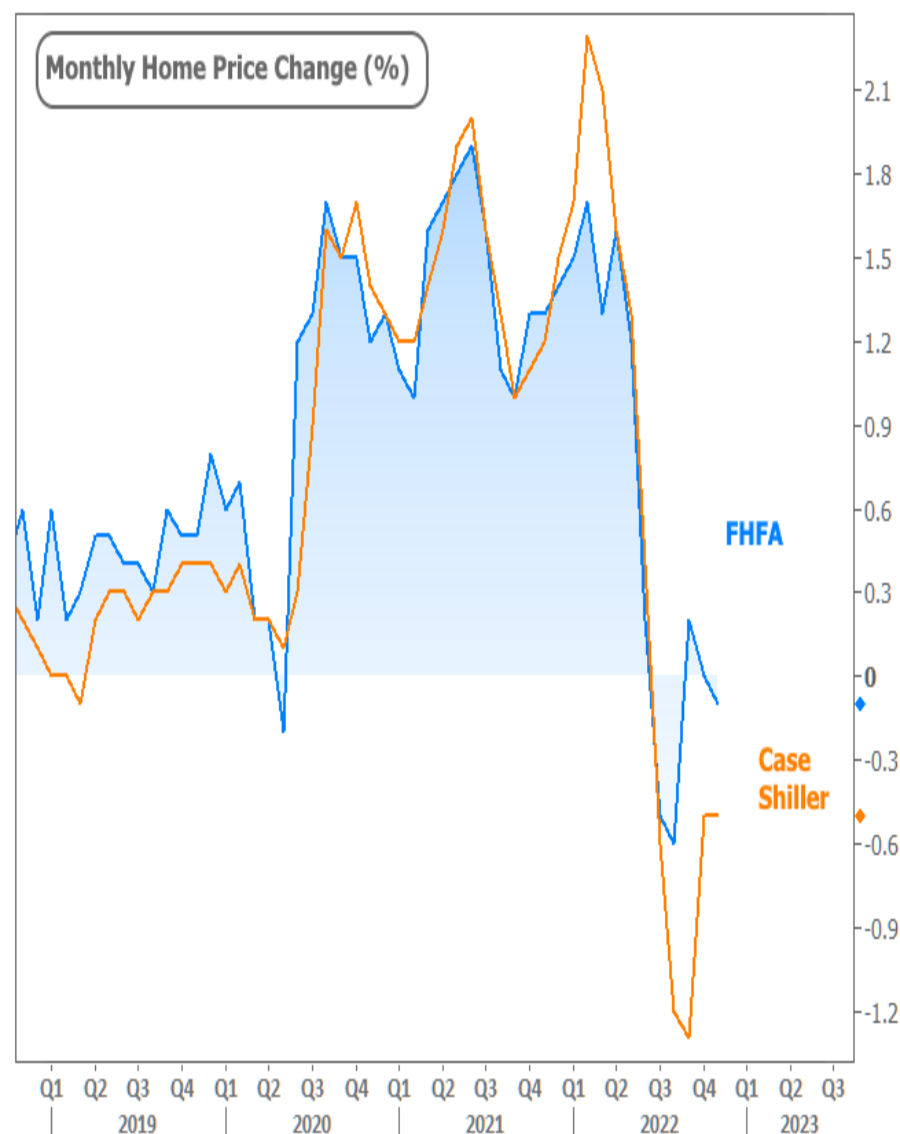


## Home Prices Are Slightly Lower, But Far From Plumetting

As rates spiked and sales contracted at the fastest pace in decades last year, we knew the post-pandemic surge in home prices was set to reverse. By the middle of 2022, the average forecast saw the annual pace of home price appreciation falling back toward historic norms with prices losing a bit of ground on a monthly basis. That is exactly what has been happening.

Both the FHFA and S&P Case Shiller publish home price indices (HPIs) each month. There's a bit of a lag in the data (today's is for the month of November), but collectively, they're considered the most official record of home price changes.

Case Shiller's index focuses on 20 major metro areas. As such, it tends to be more volatile--zooming to the higher highs and lower lows than the more stable FHFA version. Case Shiller shows a 0.5% decline in November, which was actually a bit less of a drop than forecast. FHFA's monthly numbers were down even less (-0.1%) after holding steady in October.



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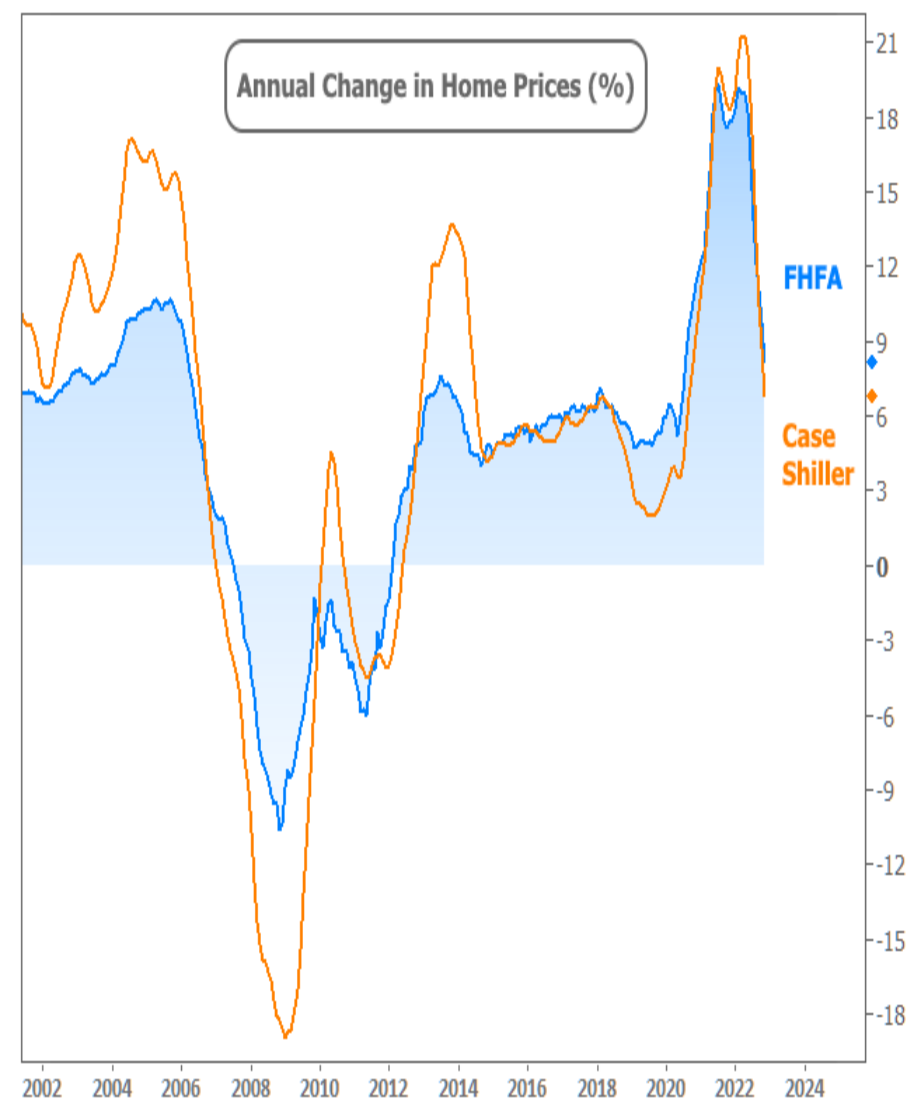
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This is perhaps worth some small amount of reassurance given November's prices should have been affected by a sharp spike in rates in September. In any event, the chart above gives us the impression that the worst is behind us in terms of monthly price declines.

The takeaway from the long term chart of year-over-year change is even more upbeat. It actually shows price gains remaining higher than the past 16 years according to FHFA and among the highest levels of the past decade according to Case Shiller.



A caveat or two is in order. The chart above will continue to decline in the coming months. It will be more interesting to learn where it finally stops. The other caveat is more of a question: would it be a good thing for prices to go up by 6%+ each year in a world where incomes and other prices are not rising as quickly?

The bottom line is that prices have gently been descending into territory that's more sustainable than it was previously. The descent has been largely as expected if not slightly gentler.