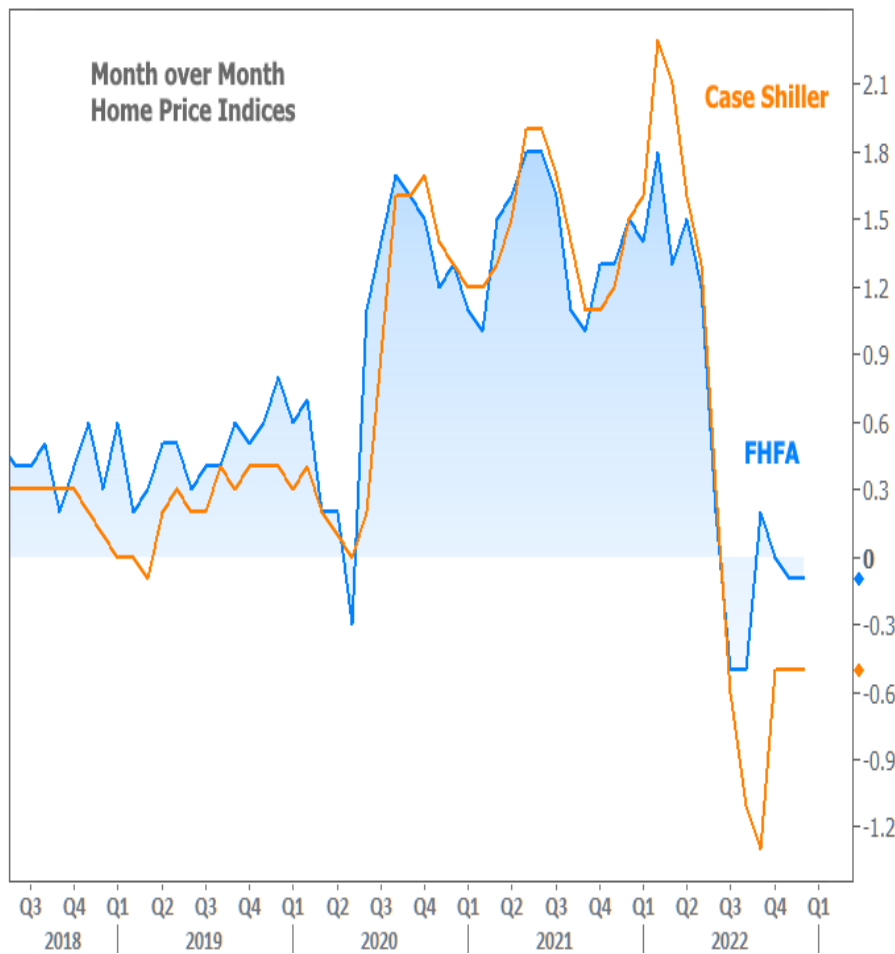




## Home Prices Continued Moderate Pace of Correction in December

FHFA and S&P Case Shiller each released their monthly home price indices (HPIs) for December this morning. These are the two most widely followed HPIs. FHFA has a broader reach while Case Shiller is focused on the 20 largest metro areas.

Both HPIs continued to do exactly what they were doing last month. FHFA declined by 0.1% and Case Shiller dropped at a 0.5% pace.



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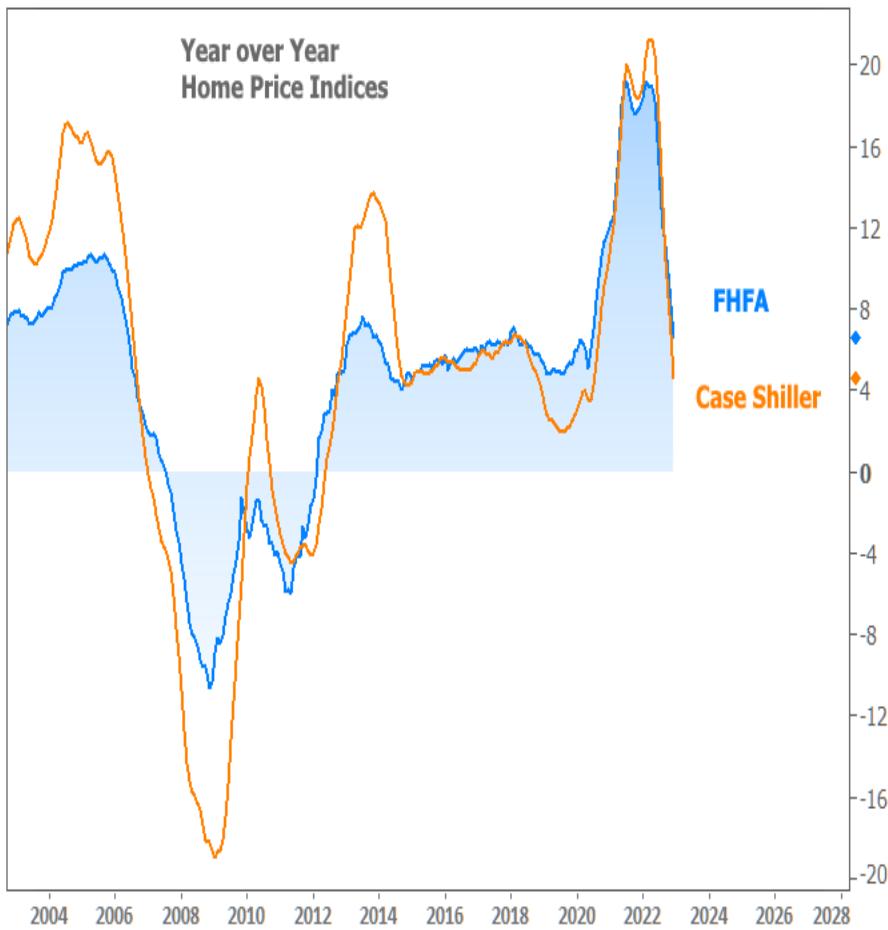
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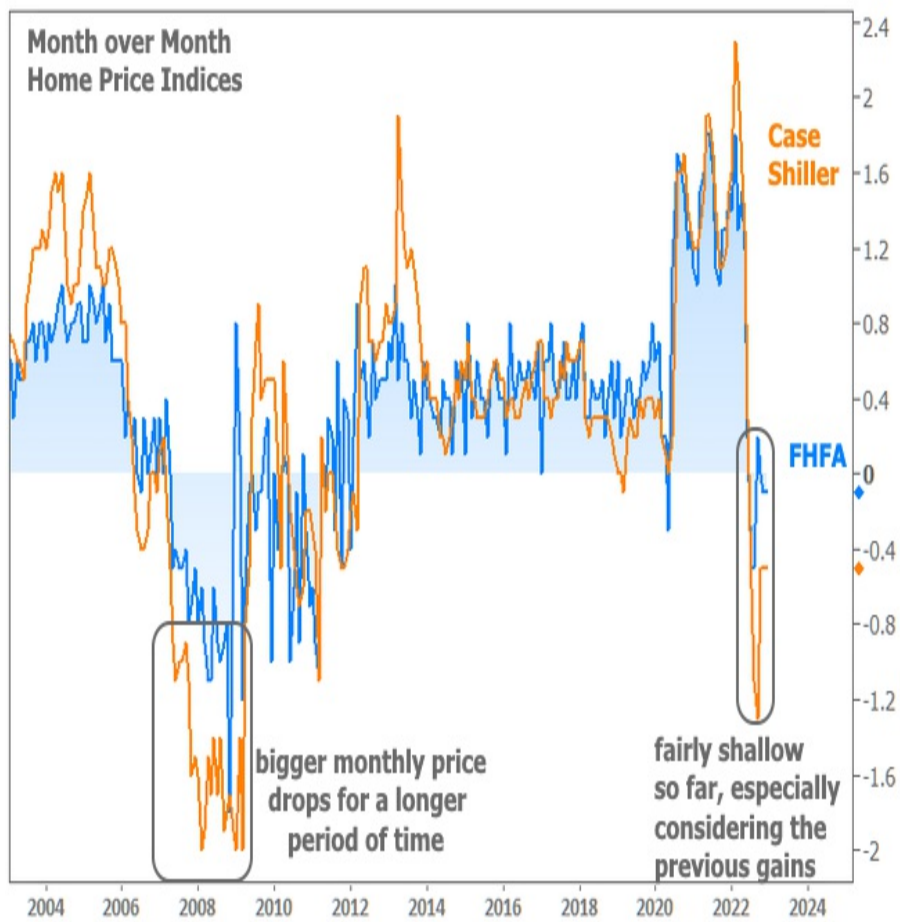
The reversal from the strong pace of gains early in 2022 has been abrupt, but price declines have been modest. If FHFA continues moving mostly sideways (which it arguably has over the last 4 months), it would mean that home prices have merely leveled off without undergoing a large outright correction.

In other words, prices aren't necessarily destined to lose much--if any--ground in year-over-year terms. Things could always change, but for now, this has been a very orderly moderation in price.



How could the correction be orderly if annual price growth has declined so sharply in the chart above? Keep in mind that anything over the "zero" line is still good in that chart. It means year-over-year appreciation remains intact. 2008-2012 saw year-over-year declines almost exclusively.

The differences between then and now become more evident when we examine a longer-term version of the first chart (month-over-month changes in price).



In 2008 and 2009 especially, prices were losing nearly 1.5-2% every month according to Case Shiller. This ultimately resulted in nearly a 20% decline in year over year terms. The current correction is very shallow by comparison. The tight inventory situation and the absence of systemic concerns in credit markets all but guarantees the current correction remains nothing at all like the Financial Crisis.