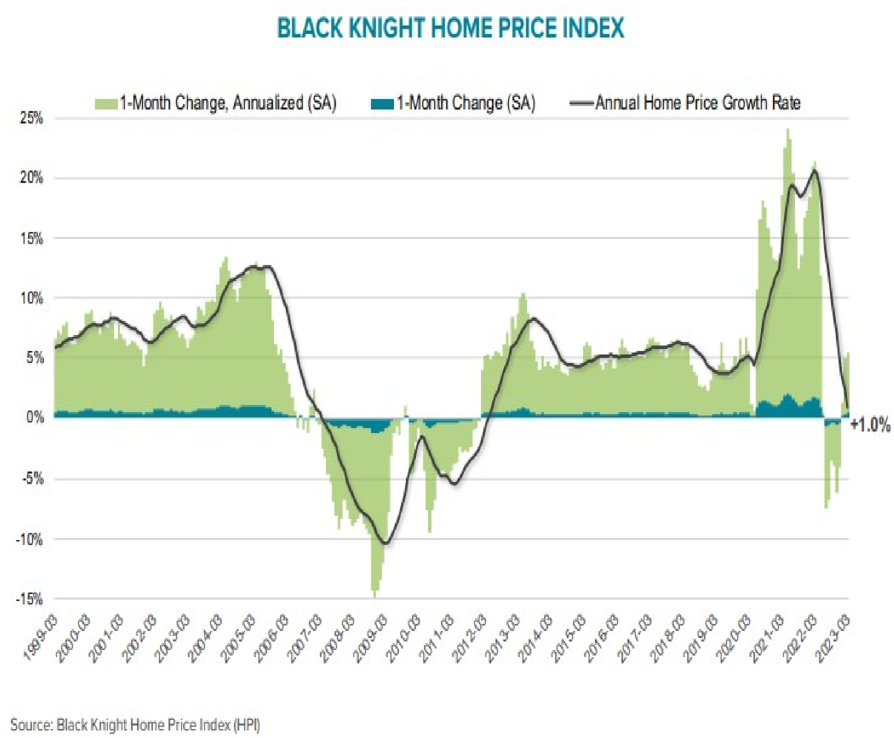
Inventory Woes Help Boost Home Prices in March.

While home prices continue to fall on an annual basis, new data from Black Knight indicates that the trend may not continue beyond the short term. The company's March *Mortgage Monitor* shows its seasonally adjusted **Home Price Index (HPI) rose 0.45 percent in March (the largest increase since last May)** and was up 1.38 percent before adjustment. The latter number is roughly on par with the 10-year March average of 1.43 percent, typically the strongest monthly uptick each year. Further, revisions to the January and February HPI numbers show monthly gains of 0.13 percent and 0.43 percent making March the third consecutive month of gains. The company warns that these monthly increases would annualize to gains of more than 10 percent and make it important to watch for further heating in coming months.

Black Knight's Vice President for Research Strategy, Andy Walden, says, "Despite the home price strengthening of these past couple of months, the backward-looking annual growth rate continued to cool as the influence of the red-hot spring 2022 market fades in the rearview mirror. Prices are now up just 1.0 percent year over year, with the annual growth rate **on track to fall to roughly 0 percent by April**." That annual metric has been falling by 1.3-1.4 percent each month since the start of 2023.



The only markets in the top 50 by population where seasonally adjusted prices are still shrinking are Austin, Salt Lake City, and San Antonio. Phoenix and Dallas were effectively flat month-over-month. The largest price gains have occurred in the Midwest and Northeast.

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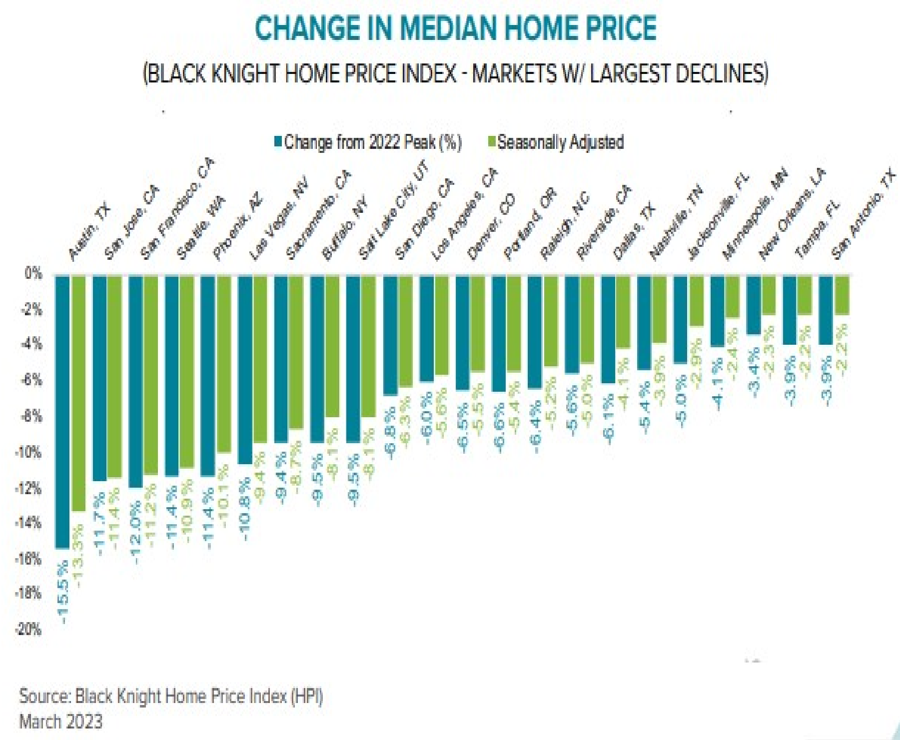
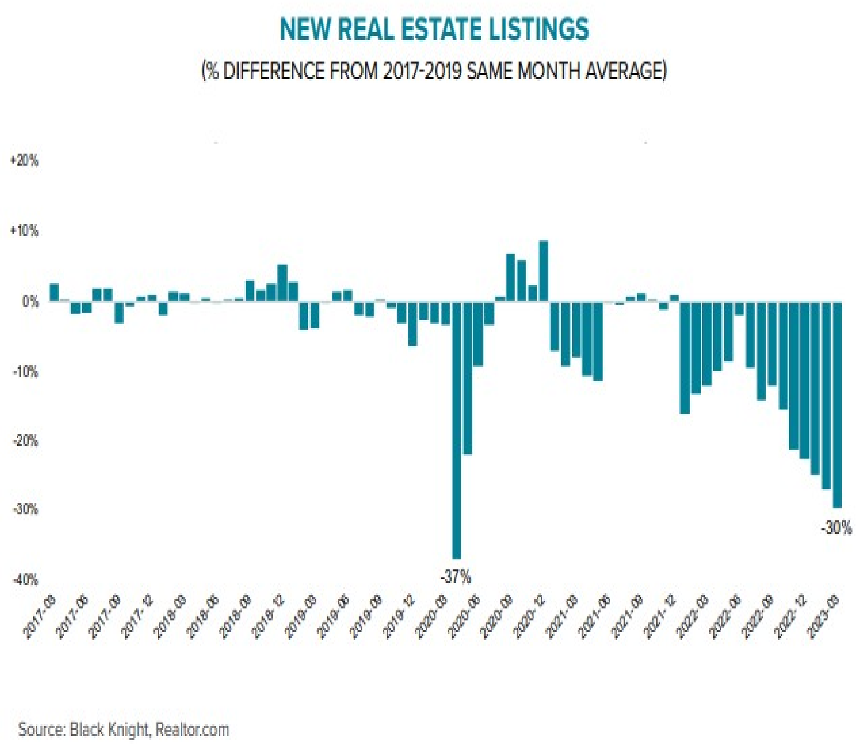
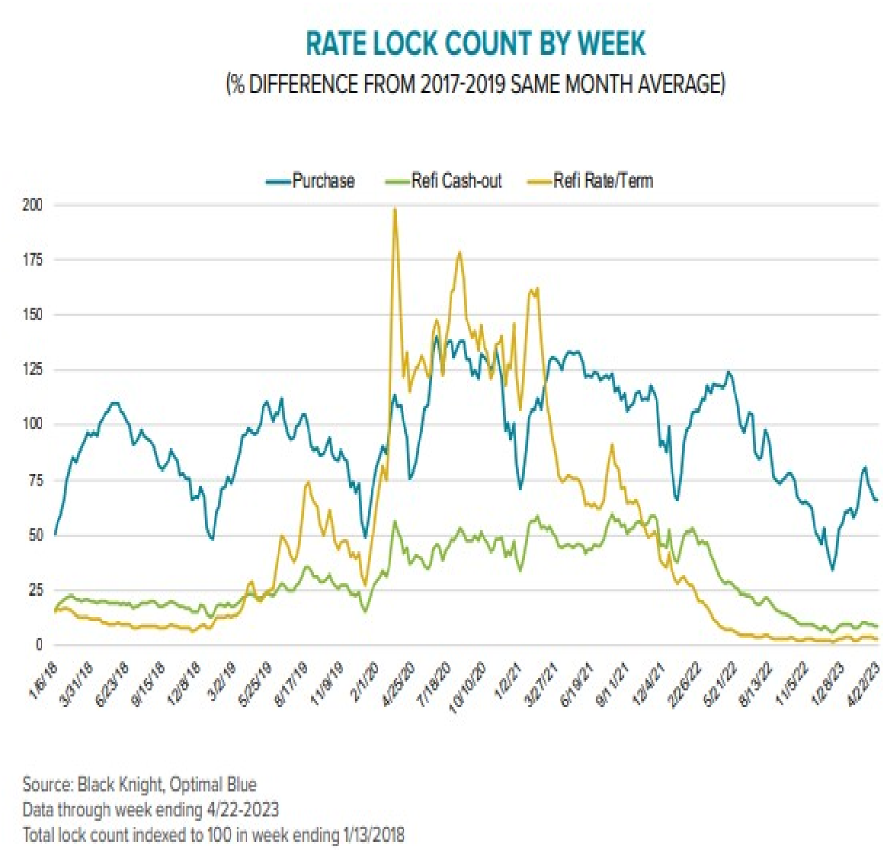


Driving the recent price gains is the inventory shortage that's been plaguing the housing market for some time. Walden said, "A modest bump in homebuyer demand ran headlong into falling for-sale supply. **Just five months ago, prices were declining on a seasonally adjusted month-over-month basis** in 92 percent of all major U.S. markets. **Fast forward to March, and the situation has done a literal 180,** with prices now rising in 92 percent of markets from February.

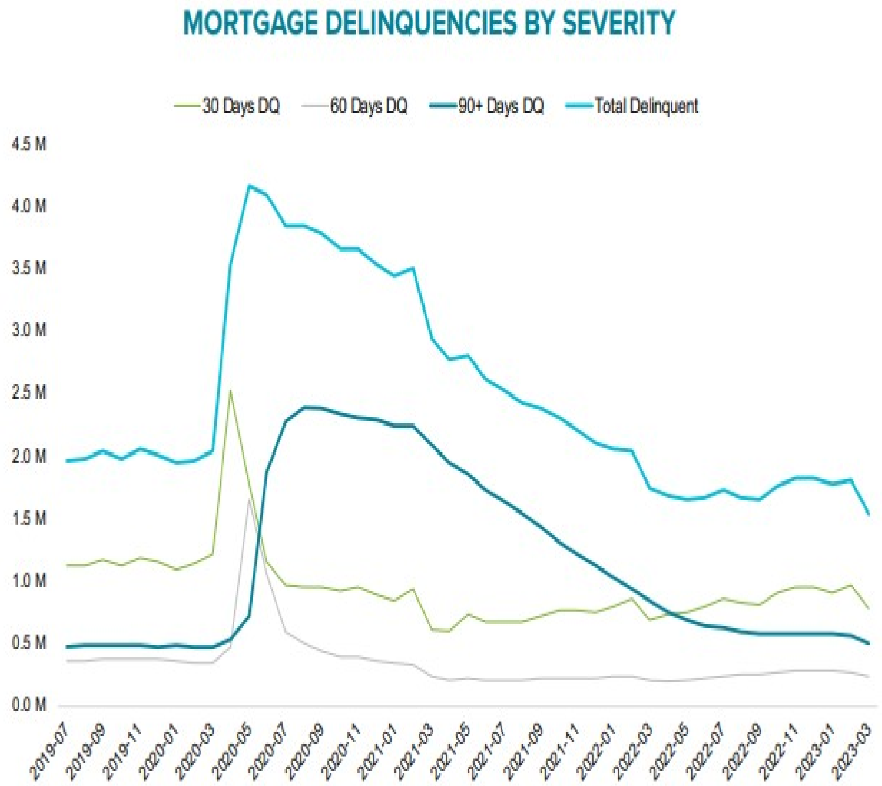
"Our Collateral Analytics data showed the supply of active listings fell for the sixth straight month, to the lowest level since April 2022. On top of that, March saw deterioration in supply among 90 percent of major markets. New listings aren't filling the gap either – 30 percent fewer properties hit the market in March as compared to pre-pandemic norms. That deficit has now increased in each of the last six months and is up from -27 percent in February and -25 percent the month before. Given the modest rise in sales volumes, current available inventory represents just 2.6 months of supply on a seasonally adjusted basis, tipping the scale back toward sellers in a tightly constricted market."



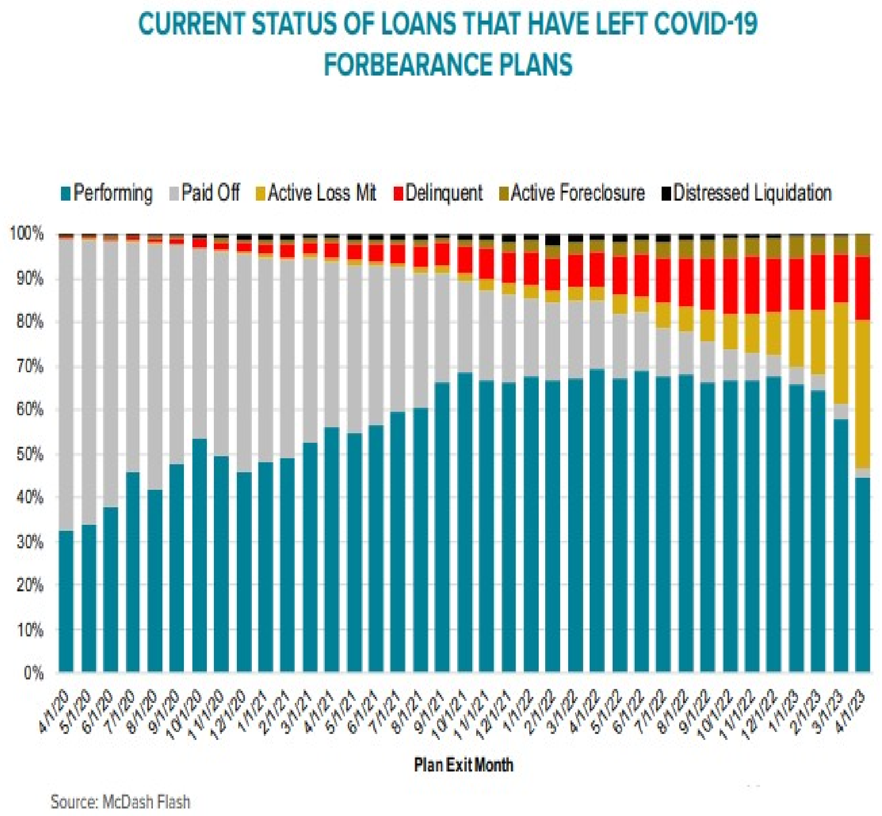
The *Monitor* said interest rates remained volatile – from a high of 6.85 percent in early March, to 6.21 percent by early April, then back up above 6.5 percent. by the middle of the month. Despite the pullback in rates and that the heart of the home buying season is here, purchase rate locks are 18 percent (unadjusted) from their late March highs. Likewise, refinance volumes are down 17 percent among cash-outs and 24 percent among rate-term refis since mid- to late March. Walden said, "**This trend is worth watching closely in coming weeks given the delicate balance of supply and demand** in today's market. Granular, timely data has become ever more essential as the market continues to sift through each new shred of economic news in hopes of predicting how the Federal Reserve and broader economy will react."



Inflation does not yet appear to be hurting mortgage performance. The national delinquency rate dropped 53 BPS to 2.92 percent in March. This is the first time in Black Knight's 23-year records that the rate has been below 3 percent. March's 15.2 percent decrease was broad-based, with 30, 60 and 90-days past due buckets all improving.



The CARES Act's mortgage protections will expire at the end of May, so Black Knight provided a snapshot of the current status of forbearance plans. Only 422,000 first mortgages remain in plans, down by 22,700 over the course of the month. Just over 200,000 loans remain in loss mitigation. There are 105,000 loans in post-forbearance foreclosure, the majority of which were delinquent pre-pandemic.



The share of borrowers who have trouble making payments after exiting plans appears to have stabilized below 20 percent.