



Paradox: Home Prices Face Both Head Winds and Rising Tides

Despite the upward path of interest rates, both the CoreLogic Case-Shiller indices and the Housing Price Index (HPI) published by the Federal Housing Finance Agency (FHFA) showed continued appreciation in home prices last year, although not at the double-digit rate seen during the pandemic and its immediate aftermath. While all indices showed annual gains, all also indicated a softening of the market in recent months.

The Case-Shiller U.S. National Home Price NSA Index, which covers all nine U.S. census divisions, reported a **5.5 percent annual gain in December, a half-point more than the annual gain in November**. The 10-City Composite was up 7.0 percent compared to 6.3 percent the prior month and the 20-City Composite posted a year-over-year increase of 6.1 percent, up from 5.4 percent in November.



Harvey Bernard

Real Mortgage Consultant,
Winner's Mortgage

www.winnersmortgage.com

P: (612) 852-5000

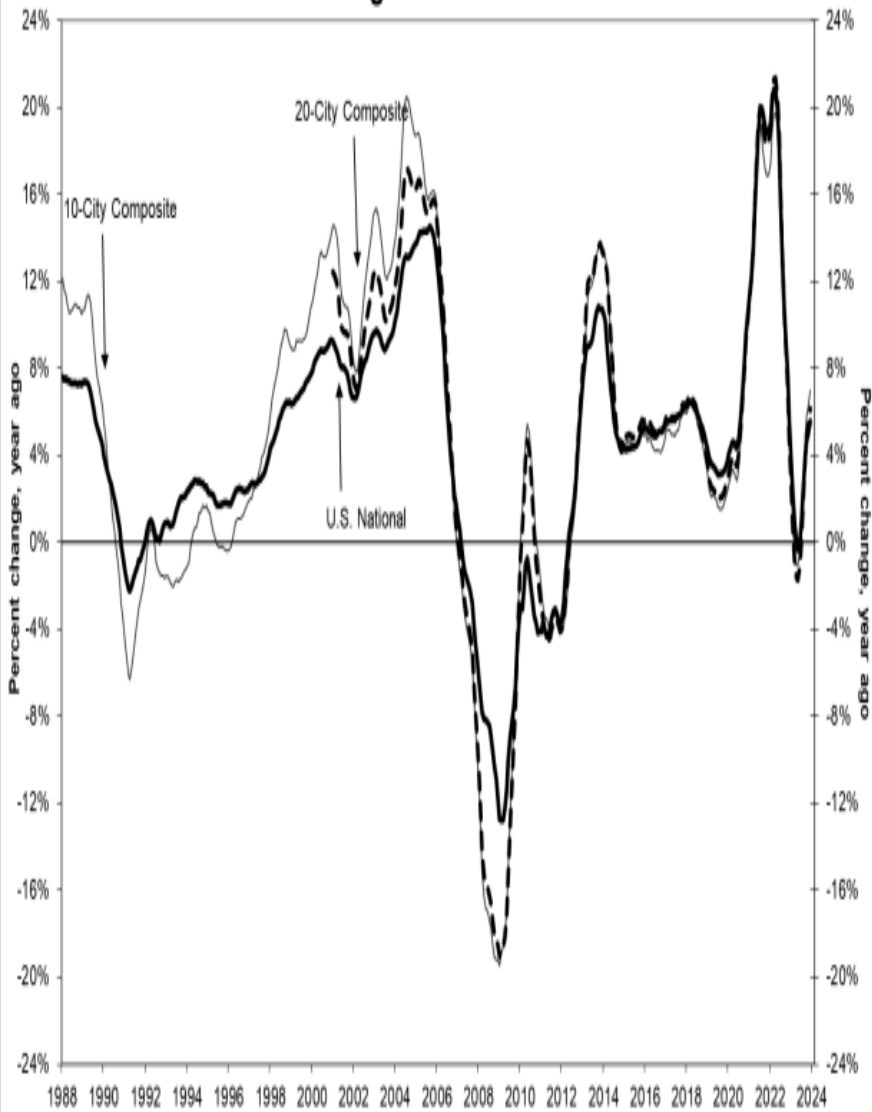
M: (612) 852-5000

harvey@winnersmortgage.com

363188



S&P CoreLogic Case-Shiller Indices



Sources: S&P Dow Jones Indices & CoreLogic

San Diego reported the highest year-over-year gain among the 20 cities, 8.8 percent, It was followed by Los Angeles and Detroit, each at 8.3 percent. Portland showed a 0.3 percent increase this month, holding the lowest rank and reported the smallest year-over-year growth, however, this reversed 11 consecutive monthly losses.

Non-seasonally adjusted month-over-month changes were all negative. The U.S. National Index was down 0.4 percent while the 20-City and 10-City Composites dipped 0.3 percent and 0.2 percent, respectively. After seasonal adjustment, all three indices eked out gains of 0.2 percent.

“U.S. home prices faced significant headwinds in the fourth quarter of 2023,” says Brian D. Luke, Head of Commodities, Real & Digital Assets at S&P Dow Jones Indices. “However, on a seasonally adjusted basis, the S&P Case-Shiller Home Price Indices **continued its streak of seven consecutive record highs in 2023**. Ten of 20 markets beat prior records.

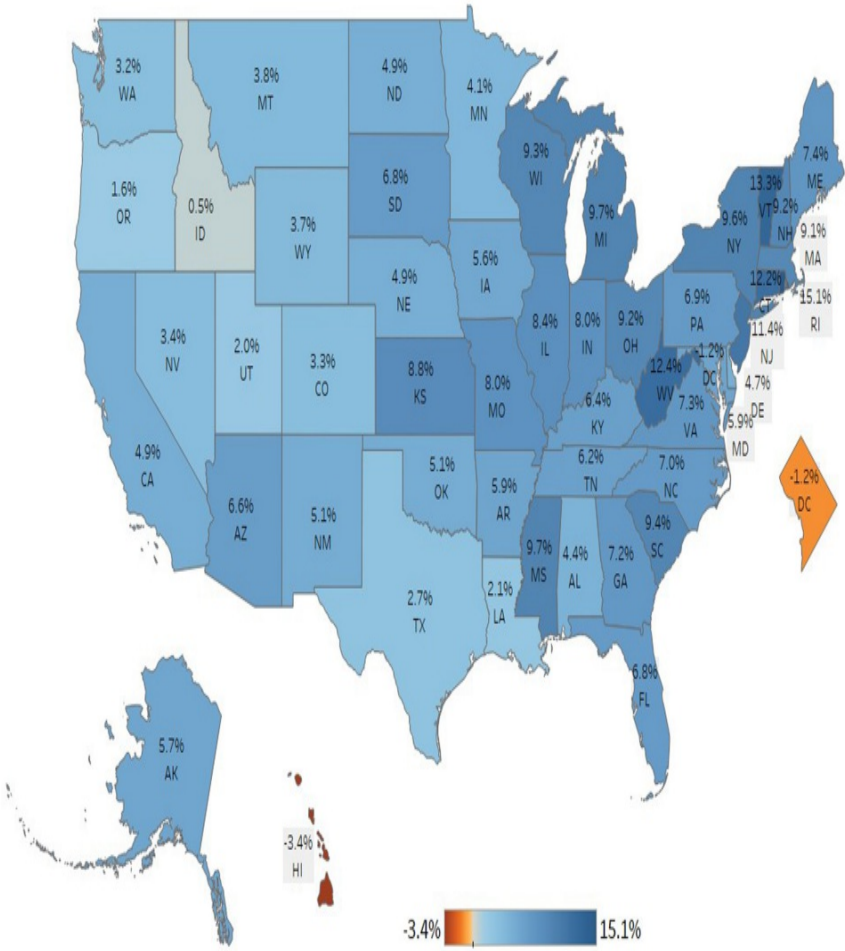
“2023 U.S. housing gains haven’t followed such a synchronous pattern since the COVID housing boom. The term ‘a rising tide lifts all boats’ seems appropriate given broad-based performance in the U.S. housing sector. All 20 markets reported yearly gains for the first time this year, with four markets rising over 8 percent.

“Looking back at the year, 2023 appears to have exceeded average annual home price gains over the past 35 years. With trend growth at the national level of 4.7 percent, a 5.5 percent return demonstrates solid, steady growth. While we are not experiencing the double-digit gains seen in the previous two years, above-trend growth should be well received considering the rising costs of financing home mortgages. We previously suggested that the surge in home prices during the COVID pandemic could have accelerated home ownership temporarily. **The past two years reflect consistent growth slightly above trend**, suggesting a more secular shift in home ownership post-pandemic. In the short term, meanwhile, we should be able to measure the impact of higher mortgage rates on home prices. Increased financing costs appeared to precipitate home price declines in the fourth quarter, as 15 markets saw lower values compared to September.”

Dr. Selma Hepp, chief economist at CoreLogic, also cited the resiliency of home prices against the headwinds of high borrowing costs and low housing inventory. “As mortgage rates continue to flirt in the 7 percent range, it will be difficult to convince existing homeowners to move right now, she said. “Nevertheless, as the recent surge in mortgage application data has shown following a drop in rates, buyers are anxiously waiting to jump in the market as soon as mortgage rates fall. That means that 2024 will show another year of home price highs.”

FHFA’s fourth quarter 2023 HPI shows U.S. house prices rose 6.5 percent compared to the fourth quarter of 2022 and were 1.5 percent higher than at the end of the third quarter last year. This continues a trend of positive annual appreciation in every quarter since the beginning of 2012. The November to December change was 0.1 percent.

Four-Quarter House Price Change by State
 Purchase-Only FHFA HPI® (Seasonally Adjusted, Nominal)
 U.S. Four-Quarter Appreciation = 6.5% (2022Q4-2023Q4)



Source: FHFA HPI®

“U.S. house prices increased modestly over the course of 2023,” said Dr. Anju Vajja, Acting Deputy Director for FHFA’s Division of Research and Statistics. “However, the market showed signs of softening as house price appreciation was lower in the fourth quarter of the year than in the previous quarter.”

House prices rose in 49 states between the fourth quarter of 2022 and the fourth quarter of 2023 with **the largest increases, all in double digits, in Rhode Island, Vermont, West Virginia, Connecticut, and New Jersey**. The two areas that saw annual price depreciation were Hawaii (-3.4 percent) and the District of Columbia (-1.2 percent.) All nine census divisions had positive annual price changes. New England posted the largest, a 10.3 percent annual gain, and the West South Central division the smallest at 3.2 percent.

Twelve-Month House Price Changes – Prior Year vs. Most Recent Year

Purchase-Only FHFA HPI® (Seasonally Adjusted, Nominal)

■ Price Change: 12/2021 - 12/2022 ■ Price Change: 12/2022 - 12/2023



Source: FHFA

Case-Shiller Indices track the matched price pairs for thousands of individual houses. Each index was benchmarked in January 2000 at 100. The current value of the National Index is 310.67 and the 10- and 20-City Composites are at 332.85 and 317.39, respectively.

FHFA’s HPI is based on home sales financed by either Fannie Mae or Freddie Mac. It was benchmarked at 100 in January 1991 and currently stands at 417.8.

