

Amherst HPA Index responds to Fed's interest rate hikes

by Gene Burinskiy

The Amherst Home Price Appreciation Index (HPA) reveals 18.0 percent year-over-year growth in the second quarter of 2022. Although still high by historical standards, this is the lowest posted growth since pandemic demand led prices to surge beginning in the second quarter of 2021. Despite continually rising mortgage rates and prices, it was not until rates hit a 10-year high in June that appetites began to dampen. Consequently, the second quarter deceleration was only 1.3 percentage points lower than first quarter growth. As mortgage markets catch up with monetary policy in the third and fourth quarters, HPA should more fully reflect tightening.

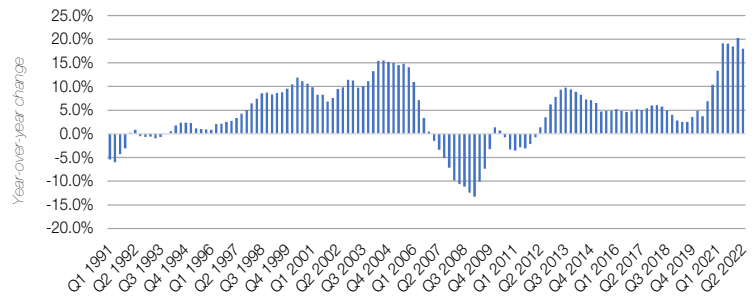
Even as markets start to cool, COVID-era HPA trends continue with growth remaining highest in suburbs and small cities. Naples, Punta Gorda, and North Port — all suburbs of Fort Myers, Fla. — saw the highest HPA with year-over-year increases of 43.8 percent, 38.2 percent and 37.0 percent, respectively. Highest growth markets are relatively concentrated, with 11 of the top 20 growth markets in Florida and four in Tennessee. The remaining five markets in the top 20 are found in North Carolina, South Carolina, Texas and California.

Consumer Price Index (CPI) increased 8.5 percent year-over-year in July showing the Fed could have been more aggressive with its tightening. We anticipate that shrinking unemployment and growing wages will embolden the Fed to further tighten monetary policy, which will further increase the cost of mortgages and further decelerate HPA. ❖

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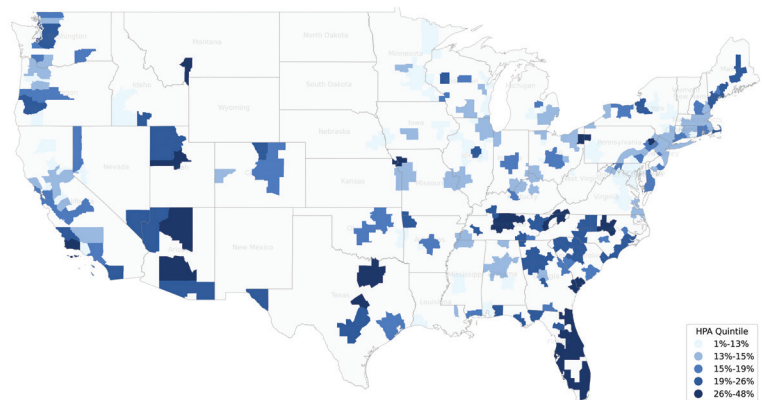
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Amherst Year-over-Year 20-City Home Price Appreciation Index



Source: The Amherst Group

MSA-Level Year-over-Year Home Price Appreciation Index, as of Q2 2022



Source: The Amherst Group

Top 10 markets in HPA, as of Q2 2022	
Market	Year-over-year change
Naples, FL	43.80%
Punta Gorda, FL	38.20%
North Port, FL	37.00%
Port St. Lucie, FL	35.50%
Sevierville, TN	35.10%
Cape Coral, FL	34.70%
Tampa, FL	32.80%
Lakeland, FL	32.60%
Raleigh, NC	31.70%
Miami, FL	30.90%

Source: The Amherst Group

The Amherst HPA is based on the 20 Metropolitan Statistical Areas (MSAs) that are used to construct the S&P Case Shiller 20-city index and is based on 185,000 repeat-sale observations per quarter on average. Unlike other HPA indexes, the Amherst HPA does not include foreclosures, short-sales, bank repossessions, and REO resales. The use of Multiple Listing Service (MLS) to supplement Corelogic off-market data enables Amherst to offer a timelier look at shifts in the housing market than other indices.