

## Home prices reflect Fed's rate hikes

by Gene Burinskiy

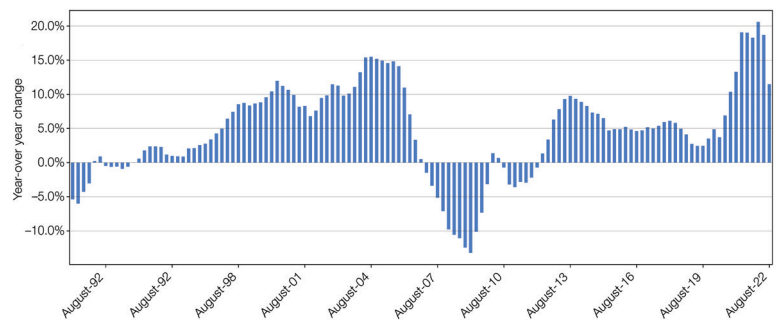
The Amherst Home Price Index (HPI) shows year-over-year growth remains higher than pre-pandemic levels, but quarter-over-quarter trends indicate sustained housing market cooling. Third quarter 2022 prices grew 11.5 percent year-over-year, which is significantly higher than the average 3.1 percent between 2010 and 2020. This reflects the high cumulative price growth since mid-2021, but it is not as informative of more recent price trends. The seasonally adjusted HPI shows a 2.2 percent decline in home prices since second quarter 2022. This marks the first quarter in which home prices have cooled since the onset of the pandemic.

The cooling comes as no surprise because mortgage interest rates are one of the first consumer-facing elements to respond to the Fed's rate hikes. The average 30-year mortgage rate rose to 5.5 percent in August and has surpassed 6.5 percent in September. The combination of price growth and interest rates raised the average cost of servicing a mortgage by about 65 percent from the pandemic-era's trough, which has disincentivized many potential buyers. Shifting demand may foreshadow further deflation of the high growth seen throughout the pandemic.

The cumulative home price growth over the pandemic is instructive in setting price expectations as the Fed's anti-inflation operations roll through the housing markets. Between January 2020 and August 2022, home prices appreciated more than 41.0 percent. Consequently, a 5 percent fall in prices today would bring home prices to their January 2022 equivalent and would translate to an annualized price growth of 15.3 percent. Even if prices decline by 15.0 percent today, they would still be at their May 2021 level and would translate to an annualized 5.0 percent growth since January 2020. Both figures are significantly higher than the 3.1 percent average that prevailed 2010 to 2020. ❖

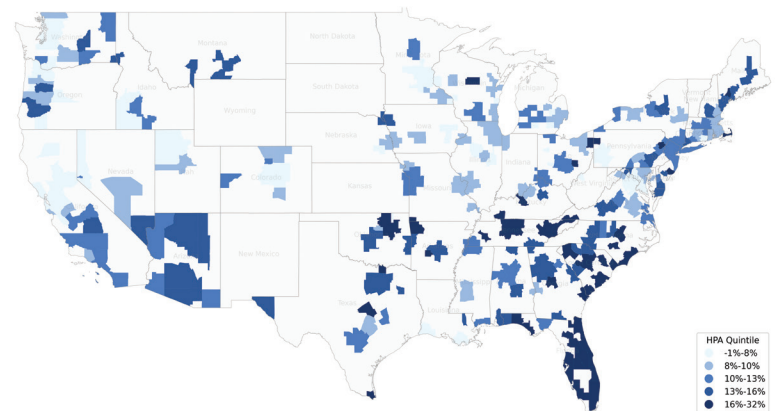
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### 20-City HPI Year-over-Year Growth



Source: The Amherst Group

### MSA-Level HPI Year-over-Year Growth, as of Q3 2022



Source: The Amherst Group

Top 10 markets in HPI, as of Q3 2022	
Market	Year-over-year change
Naples, FL	32.5%
Jackson, TN	26.4%
Punta Gorda, FL	26.2%
Port St. Lucie, FL	24.9%
Barnstable Town, MA	23.9%
Tampa, FL	23.7%
Savannah, GA	22.7%
Crestview, FL	22.6%
Miami, FL	22.6%
Orlando, FL	22.6%

Source: The Amherst Group

The Amherst HPI 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 number of repeat-sale observations per quarter on average. Unlike other HPI indices, the Amherst HPI 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.

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