Q2 home prices surpass 2022 peak

by Gene Burinskiy

The Amherst Home Price Index (HPI) shows that second quarter 2023 prices surpassed their 2022 peak by 1.4 percent after seasonal adjustment. Although second half 2022 saw modest price depreciation, price growth in 2023 has more than made up for those losses. The combination of strong labor market and tight for-sale inventories have bolstered home prices and will likely continue doing so in the ensuing quarter.

Price appreciation is largely driven by robust demand and tight for-sale inventories. The strong demand is reflected in the 60-day absorption strengthened further, averaging 46% in the second quarter. This is nearly 20 percentage points lower than 2022 records, but still more than 5 percentage points higher than the peaks reached in 2017 to 2020. Strong labor market outcomes for June suggest demand for homeownership is unlikely to suddenly ease in the following quarters. According to the Bureau of Labor Statistics, unemployment has remained in the tight 3.4 percent to 3.7 percent range since early 2022 through June 2023. Year-over-year wage growth has slowed a bit from its pandemic-era highs to 4.4 percent, but this is still more than 1 percentage point higher than the wage growth observed in the three years preceding the pandemic.

Without significant relief in mortgage interest rates, the for-sale inventory is likely to stay low because locked-in owners are discouraged from listing. The reluctance to list has kept the for-sale inventory more than 40 percent below 2019 levels throughout the second quarter. Since the Federal Reserve Bank's board members continue to signal no plans to ease interest rates in their effort to rein in inflation, we do not anticipate for-sale inventories to rise much in the forthcoming quarters. The coupling of low supply and robust demand suggests prices are unlikely to decline drastically in the next quarter. ❖

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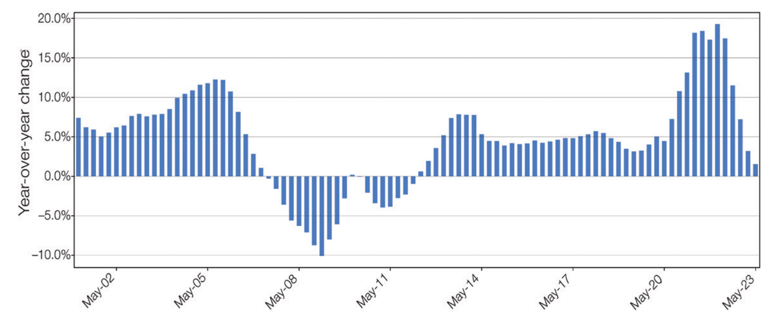
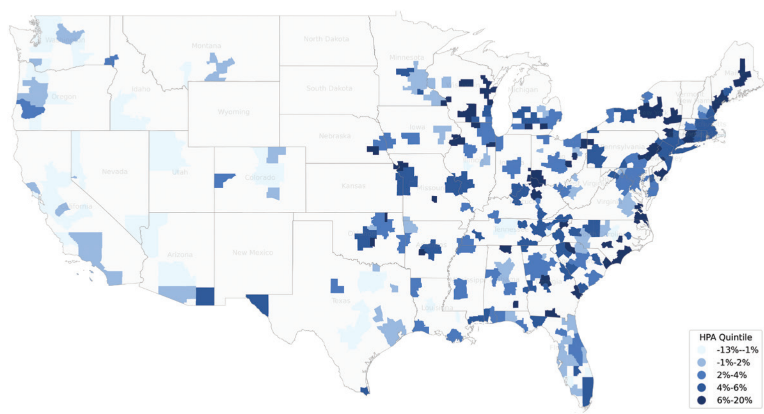
20-city HPI year-over-year growth



Source: The Amherst Group

MSA-level HPI year-over-year growth, as of Q3 2022



Source: The Amherst Group

Top select markets by quarter-over-quarter growth	
Market	**Quarterly HPA**
San Jose-Sunnyvale-Santa Clara, CA	7%
Allentown-Bethlehem-Easton, PA-NJ	4%
St. Louis, MO-IL	3%
Rochester, NY	3%
Providence-Warwick, RI-MA	3%
Detroit-Warren-Dearborn, MI	3%
Buffalo-Cheektowaga-Niagara Falls, NY	3%
Cincinnati, OH-KY-IN	3%
Santa Cruz-Watsonville, CA	3%
San Diego-Carlsbad, CA	3%

Source: The Amherst Group

The Amherst HPI tracks U.S.-level home price changes based on the weighted average of corresponding state-level home price indexes. The index is based on the Case Shiller repeat-sales methodology. Unlike other HPA indices, 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. Recent quarter HPA numbers are subject to revision.

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