

Home price growth persists

by Gene Burinskiy

The third quarter 2023 seasonally adjusted Amherst Home Price Index (HPI) climbed 4.3 percent above its 2022 peak, despite a cooling economy. For-sale inventories remain more than 40 percent below their 2019 levels, driven by the current “lock-in effect” following the pandemic housing boom. Approximately 99 percent of outstanding homeowners pay mortgage rates below the prevailing rate. We believe that elevated rates will keep homeowners reluctant to sell, resulting in a continued dearth of housing inventory.

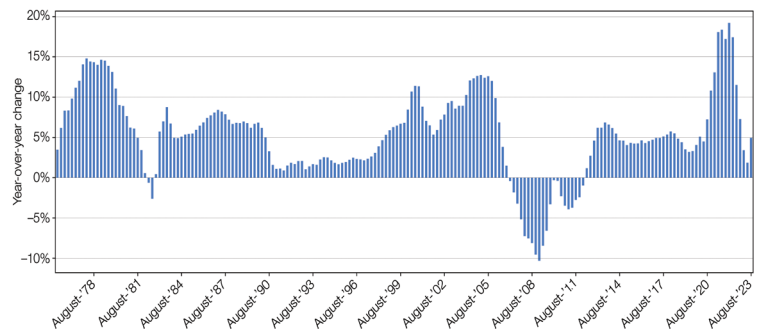
In addition to lack of inventory, a robust labor market has also helped drive demand for homes, despite a cooling economy. While the Bureau of Labor Statistics’ unemployment rate ticked up slightly in August, it remains at one of the lowest rates since the 1970s. Hourly wage growth declined by nearly 1 percentage point in August yet is still almost double the 2006–2020 rate.

Mortgage and consumer pay rates remain resilient despite concerning consumer finance trends. Record consumer spending and debt, coupled with a decreasing consumer savings rate, underscore the pressure of inflation on disposable incomes. Despite this, mortgage debt payments have so far remained healthy. Second-quarter mortgage delinquencies, as reported by the Fed, are at the lower end of the four-decade tracking history at just 1.7 percent, with credit card delinquencies also on the lower end.

Because neither inflation nor the Fed interest rates are likely to come down in the near term, the current trend of low for-sale inventories and moderate home price growth will likely persist at least through the end of 2023. ❖

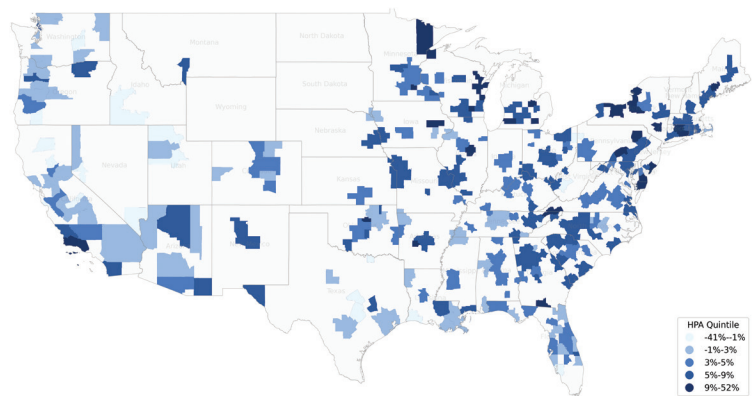
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U.S. HPI year-over-year growth, as of Q3 2023



Source: The Amherst Group

MSA-level HPI year-over-year growth, as of Q3 2023



Source: The Amherst Group

Top select markets by quarter-over-quarter growth

Market	Quarterly HPA
Oxnard—Thousand Oaks—Ventura, CA	7.2%
Lansing—East Lansing, MI	5.2%
San Diego—Chula Vista—Carlsbad, CA	5.0%
Harrisburg—Carlisle, PA	4.9%
Rochester, NY	4.8%
Baton Rouge, LA	4.2%
Stockton, CA	4.1%
Providence—Warwick, RI-MA	4.0%
Scranton—Wilkes-Barre, PA	4.0%
Charlotte—Concord—Gastonia, NC-SC	3.7%

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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