

Prices are Still Rising, Especially for Low-Cost Homes

By: Jann Swanson | Wed, Aug 7 2019, 8:15 AM

CoreLogic said on Tuesday that its **Home Price Index (HPI) for June increased by 3.4 percent** on an annual basis. Rather than the steady decline in appreciation that has been evident for about a year, percentage gains are beginning to bounce around. The annual gain in April was 3.5 percent and in May the Index was up 3.6 percent. There was a marked slowdown month-over-month basis, with prices up 0.4 percent compared to 0.9 percent in May.

CoreLogic Chief Economist Frank Nothaft commented, "Tepid home sales have caused home prices to rise at the slowest pace for the first half of a year since 2011. Price growth continues to be faster for lower-priced homes, as first-time buyers and investors are both actively seeking entry-level homes. With incomes up and current mortgage rates about 0.8 percentage points below what they were one year ago, home sales should have a better sales pace in the second half of 2019 than a year earlier, **leading to a quickening in price growth over the next year.**"

Only three states, Connecticut, Delaware and South Dakota failed to post annual price increases in June. The states with the greatest appreciation year-over-year were Idaho (9.9 percent) Utah (7.0 percent) and Nevada (6.2 percent). The fastest appreciating major metropolitan area was Las Vegas at 6.4 percent.

The company now considers **38 percent of the country's largest metro areas to be overvalued**, 24 percent are considered undervalued, and 38 percent were at value. This determination is based on an analysis comparing current home prices to each area's long run sustainable levels supported by local fundamentals such as disposable income. Overvalued areas have housing prices that are 10 percent or more above those sustainable levels, undervalued metros are 10 percent below. Considering only the top 50 markets based on housing stock, 42 percent were overvalued, 16 percent were undervalued and 42 were at value.

Looking forward, CoreLogic expects home prices will increase 5.2 percent from June 2019 to June 2020. The HPI will gain 0.5 percent between June and July of this year.

CoreLogic's second quarter Consumer Housing Sentiment Study found home-price increases in lower-cost homes **disproportionately impact older millennials**, those aged 30 - 39, a group significantly more active in searching for a home than any other age group. Nearly half (45 percent) say they purchased a home in the past three years, while one-quarter say they will likely do so within the next year. While affordability concerns drive older millennials toward renting, they have more positive market perceptions than older generations and 37 percent say purchasing a home within their market is at least somewhat affordable.

Frank Martell, CoreLogic CEO said, "Millennial homebuyers are no longer a trend on the industry horizon. In fact, they are the new, first-time homebuyers of today. However, only about half of recent millennial buyers were satisfied with the number of options of available homes in their market or price range. Affordable housing continues to be a growing issue. A deeper look at the data shows that 43% of those surveyed indicated they couldn't afford to buy a new home or are concerned they won't be able to."

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