Home Price Growth Slows, Mostly Unchanged in April

By: Jann Swanson | Tue, May 5 2020, 8:23 AM

CoreLogic's Home Price Index for March showed that the spring market started out strongly, with price appreciation from the previous month of 1.3 percent compared to a gain of 0.6 percent from January to February. The **annual increase was 4.5 percent, a half point more** than the year-over-year increase the previous month

That, however, is history. The company, in its first official HPI forecast since a national emergency declaration regarding the COVID-19 pandemic, **predicts that home price growth will fall to an annual rate of 0.5 percent by March 2021.** It also estimates that given the strong market for homes that existed at the beginning of the year, home prices did not plummet precipitately immediately after the virus began to spread and the country official entered a recession. Despite a decline of 26 percent in the number of closed home sales in the last two weeks of March, CoreLogic estimates that prices rose 0.6 percent between March and April.

"Home prices for March reflect transactions negotiated primarily in the previous two months, prior to the implementation of the shelter-in-place policies. Rapid decline of purchase activity starting in the middle of March can be seen in other CoreLogic data and is **consistent with our HPI forecast of slowing price growth in April**," said Dr. Frank Nothaft, chief economist at CoreLogic. "The first quarter GDP results showed that the country entered a recession in March. Unemployment claims have reached record highs and this economic environment will further impact the housing market into the foreseeable future."

CoreLogic found a distinct disparity between the appreciation of single-family detached homes and that of attached units (condos, duplexes). The latter is the more affordable option but before the onset of the current crisis, the booming economy, increasing wages, and low interest rates were allowing more home buyers to purchase the larger detached homes and those prices appreciated 4.7 percent on an annual basis. In contrast the rate of increase among attached units was only 3.8 percent.

CoreLogic's Market Condition Indicators (MCI), an analysis of housing values in the country's 50 largest metropolitan areas, found 36 percent of areas had an overvalued housing market in March 2020, while 28 percent were undervalued, and 36 percent were at value. The MCI analysis categorizes home prices in individual markets by comparing home prices to their long-run, sustainable levels, which are supported by local market fundamentals such as disposable income. An overvalued market as one in which home prices are at least 10 percent higher than those levels while in an undervalued one home prices are at least 10 percent below it.

The HPI Forecast shows the increased disparity of home prices across metros and highlights the continued housing affordability crisis, which began well before COVID-19 and promises to deepen in the looming recession. "The CoreLogic U.S. Home Price Index is predicted to **remain largely unchanged over the next year or so after a long uninterrupted run of appreciation**," said Frank Martell, president and CEO of CoreLogic. "Although the economic fallout from lockdown orders, put in place to fight the spread of COVID-19, will be profound, the basic supports for a rebound in home purchase activity remain in place. Once the shelter-in-place policies are lifted, we expect millennials, who submitted home-purchase applications well into the crisis, to lead the way back to a positive, purchase-driven housing cycle."

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