

Even "Off-Radar" Metros Saw Huge Q1 Price Gains

By: Jann Swanson | Wed, May 12 2021, 8:07 AM

Metro area home prices **rose sharply** in the first quarter of 2021 and **virtually every part of the country was impacted**. The National Association of Realtors® (NAR) said that 99 percent of the 183 areas it tracks posted annual price gains, and for 89 percent (163 areas) those increases were in the double digits. For comparison, in the first quarter of 2020 only a quarter of the areas (46 of 181) had that magnitude of growth.

The median price of an existing single family home rose 16.2 percent to a national median of \$319,200, the largest gain since 1989. The 11 areas with the most outsized growth, however, were not necessarily those with the most expensive homes. The top increase, 35.5 percent, was Kingston, New York where the median is now \$303,100. The highest median price among the 11 was number two, Bridgeport/Norwalk, Connecticut. Its 34 percent annual increase brought the median price to \$580,400.

Every region also recorded double-digit year-over-year price growth. The Northeast saw a 22.1 percent increase, followed by the West (18.0 percent), South (15.0 percent) and Midwest (14.4 percent).

"Significant price increases throughout the country simply illustrate strong demand and record-low housing supply," said Lawrence Yun, NAR chief economist. "The record-high home prices are happening across nearly all markets, big and small, even in those metros that have long been considered off-the-radar in prior years for many home seekers."

"The sudden price appreciation is impacting affordability, especially among first-time home buyers," he added. "With low inventory already impacting the market, added skyrocketing costs have left many families facing the reality of being priced out entirely." Even though interest rates remain lower than in most of the first quarter of 2020, the average national monthly mortgage payment rose to \$1,067 from \$995 a year ago.

Even the most expensive markets continued to experience double-digit price growth. San Jose saw annual appreciation of 11.1 percent, San Francisco's median price was up 21.8 percent, and Urban Honolulu prices gained 19.2 percent.

"These higher home prices underscore the importance of stepping up housing supply," Yun said. "An increase of inventory - either by new construction or by converting abandoned and unused retail or hotels - would combat the affordability problem."

By traditional measures, homes are still largely affordable. In the first quarter, on average, families with a median income of \$90,547 spent 14.1 percent of that income on mortgage payments with a 20 percent down payment and a 30-year fixed mortgage up from 14.5 percent one year ago. Mortgage payments are considered affordable if they amount to no more than 25 percent of the family's income.

Nationally, a family typically needed an income of \$51,216 to pay a 30-year fixed-rate mortgage with a 20 percent down payment. **A year ago, an income of \$47,760 was required**. In 125 of the 183 metro areas a family needed income of less than \$50,000 to afford a home.

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