

CoreLogic Sees Home Buyers Passing Rather than Compromising

By: Jann Swanson | Tue, Jul 6 2021, 4:09 PM

CoreLogic report for May is yet another reporting home prices are **still moving higher**. May's year-over-year appreciation of 15.4 percent was the highest since 2005. On a monthly basis the April to May gain was 2.3 percent. Detached properties appreciated at a rate of 17.2 percent, nearly double the 9.1 percent rate for attached properties as prospective buyers continue to seek out more space.

The company says that many millennials and Gen Z home buyers are continuing to move into the hot market thanks to low borrowing rates, but high prices are likely **detering increasing numbers of prospective buyers** - especially first-time and low-income families. Currently, 82 percent of consumers called housing affordability a key problem in a recent CoreLogic survey and 33 percent noted they would wait to buy or not buy at all rather than make sacrifices on their purchase.

CoreLogic's forward looking Home Price Index Home sees home prices slowing over the next year. The annual increase in May 2022 is projected at 3.4 percent as affordability challenges deter potential buyers and cause a slowdown in price growth.

"First-time buyers are **hitting a wall** in many places around the country as the pace of home price rises outpace the benefits of lower borrowing costs. Younger and first-time buyers, including younger millennials, are faced with the challenge of having sufficient savings for a down payment, closing costs and cash reserves," said Frank Martell, president and CEO of CoreLogic. "As we look to the balance of 2021, we expect price rises to continue which could very well push prospective buyers out of the market in many areas and slow home price growth over the next year."

Home prices rose sharply in the west with Twin Falls, Idaho, experiencing the highest year-over-year increase in a metro area at **35 percent**. Coeur d'Alene, Idaho, ranked second with an **annual increase of 32 percent**. At the state level, Idaho and Arizona had the strongest price growth at 30.3 percent and 23.4 percent, respectively. Utah was third at 20.4 percent as home buyers seek out more affordable locations with lower population density and attractive outdoor amenities.

"There are marked differences in today's run up in prices **compared to 2005**, which was a bubble fueled by risky loans and lenient underwriting," said Dr. Frank Nothaft, chief economist at CoreLogic. "Today, loans with high-risk features are absent and mortgage underwriting is prudent. However, demand and supply imbalances - fueled by a drop in mortgage rates to less than one-half what they were in 2005 and a scarcity of for-sale homes - has fed the latest run up in sales prices."

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