



GlobeSt

April 6, 2023

Housing Price Growth Just 4.4% in February CoreLogic measures it as the lowest since before the pandemic.

Housing analysts are not overly concerned that February's 4.4% year-over-year home price growth was the lowest since before the pandemic given the country's lack of inventory and strong demand.

That data is according to the CoreLogic Home Price Index (HPI™) and HPI Forecast™ for February 2023.

Selma Hepp, chief economist at CoreLogic, said in prepared remarks, "The divergence in home price changes across the U.S. reflects a tale of two housing markets.

"Declines in the West are due to the tech industry slowdown and a severe lack of affordability after decades of undersupply. The consistent gains in the Southeast and South reflect strong job markets, in-migration patterns, and relative affordability due to new home construction."

"But while housing market challenges remain, particularly in light of mortgage rate volatility and the ongoing banking turmoil, pent-up homebuyer demand is responding favorably to lower rates in many markets.

"This trend holds true even in the West, leading to a solid monthly gain in home prices in February. U.S. home prices rose by 0.8% in February, double the month-over-month increase historically seen and indicating that prices in most markets have already bottomed out."

As noted in the latest CoreLogic S&P Case-Shiller Index, home price gains are holding steady in some large East Coast metros, as workers return to offices and buyer demand renews in areas that saw relatively less appreciation during the pandemic.

Much of the southern US is also holding up well given current market conditions.

Miami posted the highest year-over-year home price increase of the 20 tracked metro areas in February, at 15.6%, while Tampa, Florida continued to rank second at 9.3%.

Seven states and the District recorded annual losses: Washington (-4.9%), Montana (-3.1%), Nevada (-1.7%), Idaho (-1.6%), Utah (-1.6%), California (-1.5%), Washington, D.C. (-1.2%) and Oregon (-0.7%).

Coming Off ‘Unprecedented’ Price Appreciation

Pierre Debbas, Managing Partner, Romer Debbas, tells GlobeSt.com, “The fact that prices have appreciated in the 12 months demonstrates the lack of supply in the housing market given the fact that interest rates more than doubling, uncertainty in the labor markets and a recession should have all been factors that created a decline in home values.

“The pandemic resulted in the unprecedented price appreciation of over 40% in just a matter of a few years. Prices in most major markets will likely stabilize with a low, single-digit decline as the average throughout the country.”

US Facing an ‘Inventory Crisis’ for Homes

Kurt Carlton, President and Co-Founder at New Western, the largest national private marketplace for fix-and-flip residential investment properties, tells GlobeSt.com that February’s 4.4% YoY home price growth being the lowest since before the pandemic reflects the ongoing challenges that the housing market has been battling.

“High-interest rates aside, the US market is facing an inventory crisis, where we’re missing nearly 5 million homes,” Carlton said. “The lack of supply, coupled with homeowners choosing to stay put because they’re locked into lower rates already, has forced demand to drop. With lower demand, sellers are being forced to make concessions, including lowering their prices to attract buyers.

“One area that’s still thriving and helping to add inventory and rebalance supply and demand is the fix-and-flip market. There’s a better opportunity for local rehabbers now because they don’t have the same competition that they had before in 2022 and 2021. People were so desperate for homes during that time and there wasn’t much of a price difference between distressed homes and non-distressed homes.

“Despite CoreLogic seeing much of the depreciation in the Western U.S., we are still seeing investor purchases increase in the West, especially Seattle, Los Angeles, and Phoenix.”

An ‘Absolute Dearth’ of Inventory in Many Markets

John Hunt, chief analyst, MarketNsght, tells GlobeSt.com, “If the headlines of the past several months were to be believed, everyone thought that housing prices were going to crash and burn.

“The fact that home prices have still risen at all is a testament to the ongoing demand for housing across the country and the absolute dearth of inventory in many markets.”

An ‘Active Acquirer’ of Single-Family Homes

Allan Swaringen, president & CEO of JLL Income Property Trust, tells GlobeSt.com that after a period of strong value growth, coupled with the Fed raising rates from zero to 5% over the past 12 months, it’s no surprise that home price appreciation has slowed.

“Hopefully, the Fed takes notice,” he said. “Even with higher interest rates, we remain an active acquirer of single-family homes that once improved are rented back to families that often would be unaffordable for them to acquire.

“Providing high-quality homes for rent in safe neighborhoods with good schools to families that can’t afford the down payment, current higher rates or stiffer lender underwriting – especially as local and regional banks come under stress – is a service to these communities and also an

attractive investment opportunity for our investors as we look to build a geographically diversified portfolio of single-family rental properties.”

“What’s clear is that there is still a dearth of supply of single-family homes, and despite rising rates, there remains significant market activity, and even modest value growth. That’s why we’re strong believers in single-family rentals as a winning asset class; housing affordability issues remain, and many people, especially millennials, are looking to live in more spacious homes, driving demand for SFR product.”

South Florida Set Up for More Growth

Carolina Gerdts, executive vice president at RelatedISG Realty, tells GlobeSt.com that South Florida’s economy has never been more vibrant.

“In addition to growing home prices, other industries in the area have seen significant growth,” Gerdts said. “Tourist attractions are more popular than ever, creating jobs for the local workforce. Businesses are taking advantage of the increasing appeal of South Florida, bringing in investments that further contribute to its booming economy.

“The sky’s the limit for the Sunshine State. This rising trend in housing and industry will surely attract more attention from buyers and investors. Coupled with the thriving businesses and world-famous attractions, the potential of South Florida is endless. If the trend of strong economic growth continues, the area will experience continued success for many years to come.”

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