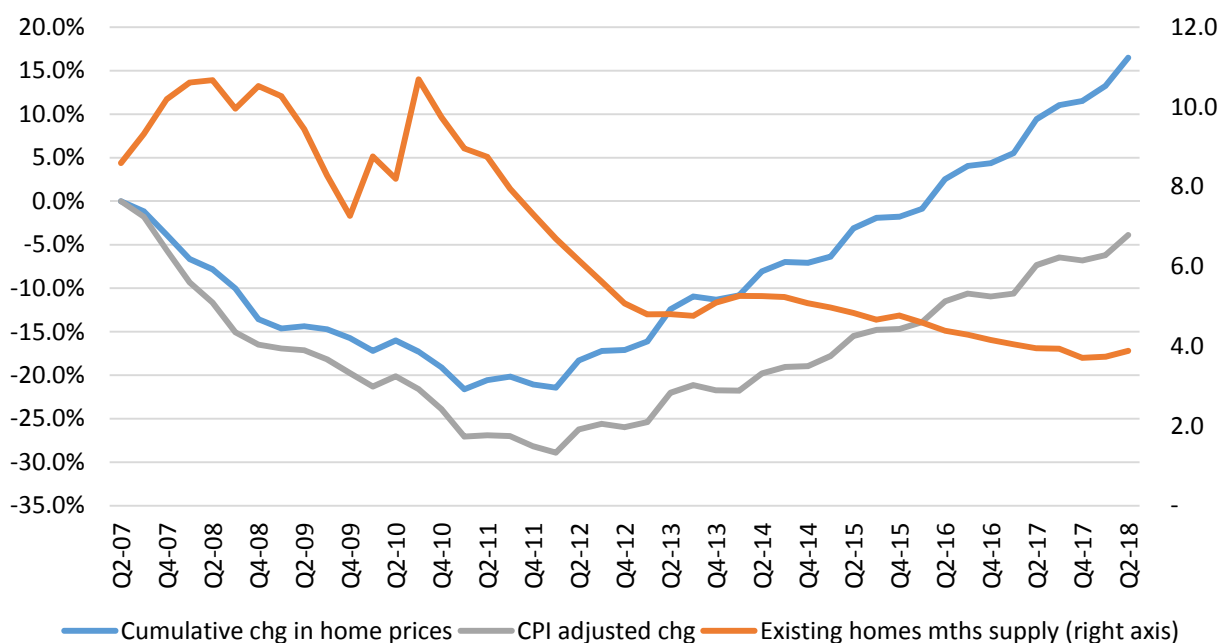


## Chart of the Week - September 14, 2018

Cumulative Change in Home Prices vs Months Supply of Existing Homes



Sources: BLS, FHFA, NAR

This week's chart highlights the cumulative change in home prices relative to the series' peak in the second quarter of 2007 using data from the FHFA. As of the second quarter of 2018, aggregate home prices in the US were 16.7 percent higher than in the second quarter of 2007, after declining as low as 21.6 percent in early 2011. However, when adjusted for inflation using the CPI, current home prices are still almost four percent below the second quarter of 2007. Also shown on the chart is the quarterly average for the NAR's months supply of existing homes for sale, which is a measure of inventory that accounts for both the pace of sales and the number of homes for sale on that market. Supply has gone from a peak of 10.7 months down to a low of 3.7 months at the end of 2017 and in early 2018. This short supply of homes has been a main driver of home price appreciation as limited inventory has caused buyers to bid prices up.

However, we are now starting to see signs of deceleration in home prices, as data for the second quarter of 2018 shows that home prices increased at a rate of 6.5 percent over the year, compared to a 7.3 percent increase in the first quarter. While the year-over-year growth appears strong, we are starting to see seasonally-adjusted quarterly growth show some signs of slowing, as typically strong states like Oregon and California had quarterly increases of 0.79 percent and 0.36 percent, respectively, compared to a national increase of 1.11 percent.

Even as inventory remains tight, we are starting to see affordability issues put a more significant damper on the higher end of the market, slowing some of the growth in home prices in traditionally high cost areas. Additionally, builders still face challenges such as labor and input costs, but as they start building lower priced, entry level focused units, the change in the mix will also serve to slow median home price growth (and not repeat sales indexes like the FHFA measure above).

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