

Home Prices Softened Nationally, with the Sharpest Drops West of the Mississippi

Valuations are below 2022 highs, but creeping back up. The median sale price of an existing single-family house was down 2.1 percent year-over-year in April 2023, the largest decrease on an annual basis going back to 2012. At the same time, the starting point of that reference period was historically elevated, making the decline over the past year more of a normalization rather than a price collapse. In fact, the median sale price has grown in three of the past four months to reach \$389,000 in April 2023, the largest measure since last September. Home values are being reinforced by a lack of for-sale inventory as owners have limited incentive to sell and trade out their lower-rate mortgage. The number of existing homes listed on the market fell for a third straight month in April, now more than 25 percent below the trailing five-year average. This dynamic is offsetting weaker buyer demand and keeping prices afloat. Valuation adjustments have not been identical across the country, however, with some regions noting more drastic price movement over the past year.

Prices are recalibrating in the Mountain region. Markets like Phoenix, Las Vegas and Salt Lake City are normalizing, after robust in-migration during the pandemic squeezed local housing stock and drove up values. Median home prices in these three metros were each down more than 4 percent year-over-year in the first quarter, but still ranked near the top of the country for growth relative to pre-pandemic figures. In response to strong demand in recent years, these markets have also garnered an out-sized share of new housing construction. However, this increase in stock is providing little relief to prospective first-time homebuyers as options lower on the cost spectrum remain lean.

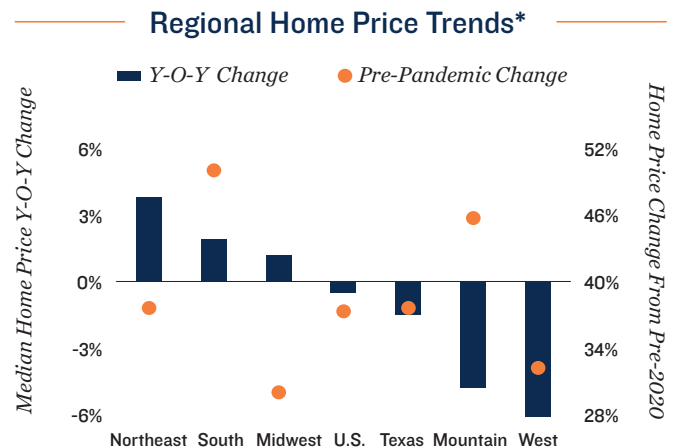
The West Coast's price deceleration is more pronounced. The sharpest median home price drops over the past year were recorded in the West Coast. The trio of Bay Area metros each logged 10-plus percent annual declines. Sacramento, Orange County and San Diego also had notable price reductions. Extreme affordability constraints and some population attrition is contributing to weaker buyer demand, pushing down prices at a faster rate.

Northeast leads the country in recent home price growth. Despite headlines of population out-migration early in the pandemic, home values have held up well in the Northeast region over the past 12 months. New York City tied for the fastest year-over-year increase among major U.S. markets at more than 7 percent in the first quarter, with Philadelphia and Northern New Jersey also ranking among the top 10 metros. Housing demand in these areas has been universally strong, extending beyond the single-family segment. Apartment vacancy in New York City and Northern New Jersey each adjusted by 10 basis points or less over the past year, significantly outperforming the 270-basis-point jump nationally.

Migration to the South is keeping the home market hot. Similar to the Mountain region, robust population growth during the pandemic catalyzed a surge in home prices in Southern metros. Contrasting its Western peers, however, prices have continued to rise east of the Mississippi in recent quarters. Florida has been at the forefront of this trend, with West Palm Beach, Orlando and Jacksonville all logging 4-plus percent annual home price gains.

-39.2% Existing Homes for Sale in April 2023 Relative to the Trailing-Decade Average

-22.4% Year-Over-Year Change in Existing Home Sales



* As of 1Q 2023; Pre-pandemic change relative to year-end 2019
 Sources: Marcus & Millichap Research Services; Capital Economics; Freddie Mac; Moody's Analytics; Mortgage Bankers Association; National Association of Home Builders; National Association of Realtors; RealPage, Inc.; U.S. Bureau of Labor Statistics; U.S. Census Bureau; Wells Fargo