



## The Daily Dish

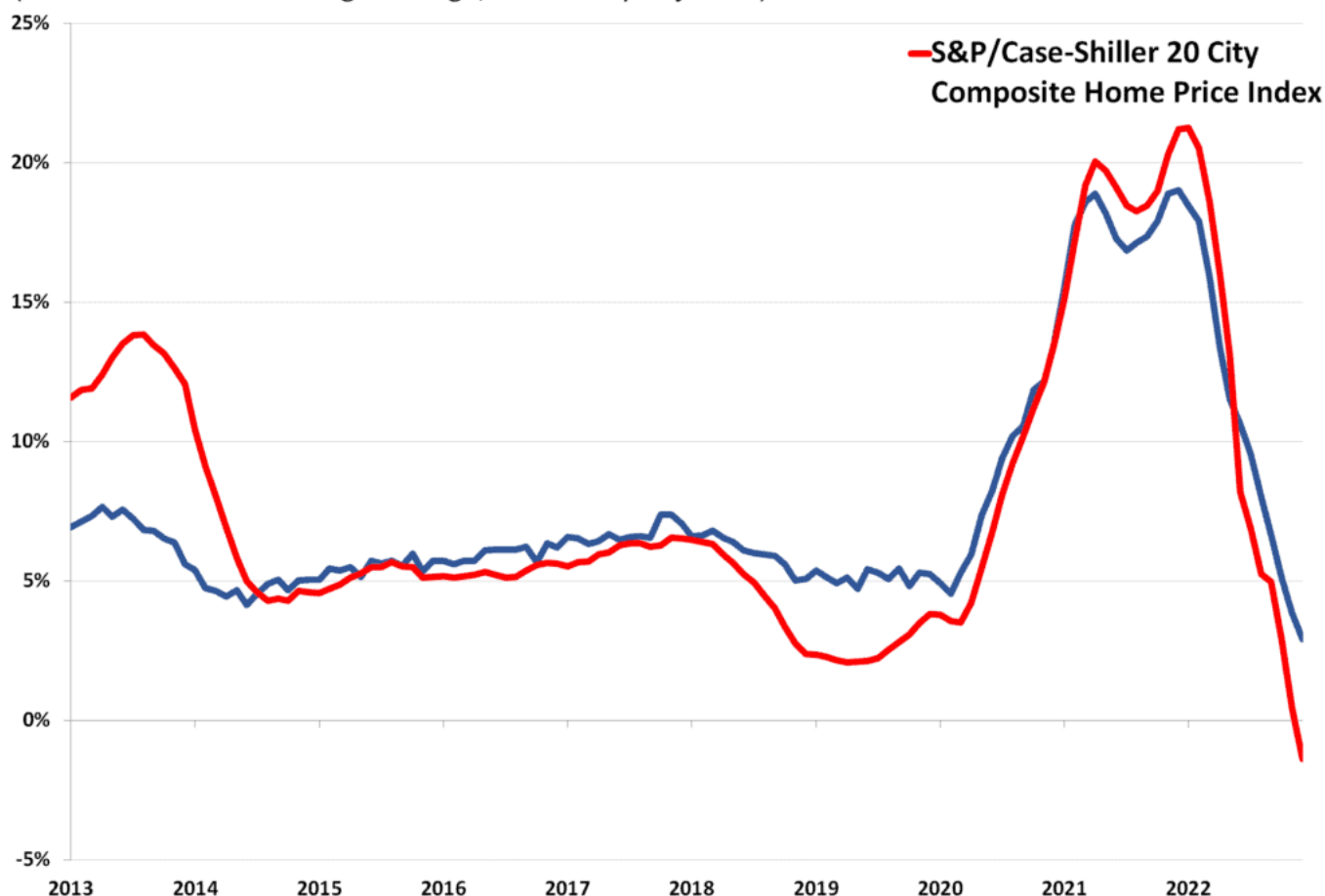
# Has Housing Hit Bottom?

**DOUGLAS HOLTZ-EAKIN | JUNE 23, 2023**

It is no secret that the Federal Reserve's anti-inflation campaign has had a dramatic, negative impact on the housing sector. The most illuminating visual demonstration is the year-over-year indices of house prices taken from Thomas Kingsley's [latest housing chart book](#), and courtesy of the Federal Housing Finance Agency and S&P/Case-Shiller. The chart is reproduced below. The massive run-up from roughly 5 percent house-price inflation at the onset of the pandemic to 20 percent (or above for the Case-Shiller index) jumps right out. But the descent to zero (or below) has been even more rapid.

## HOUSE PRICE INDICES - CASE-SHILLER vs. FHFA, PAST 10 YEARS (Year-over-Year Percentage Change, Seasonally Adjusted)

—FHFA House Price Index  
—S&P/Case-Shiller 20 City Composite Home Price Index



Yesterday, the National Association of Realtors released May data indicating the existing home sales were up modestly (0.2 percent) from April to May, while the median house price fell 3.1 percent from one year earlier. Those readings are entirely consistent with the steep decline in housing activity. Yet the data also showed that the inventory of homes had fallen to only three months of sales at the current pace, well below the six-month norm.

In light of those circumstances, perhaps the most interesting recent economic data was the [release](#) of housing starts data from the Census Bureau, which showed housing starts rising from an annual rate of 1.34 million in April to 1.63 million in May. That 27.1 percent jump stands at odds with many of the recent readings of the housing market, but may reflect the paucity of inventory.

Does this mean that housing has hit bottom and started to recover? A rebound in housing permits, starts, and overall construction would provide a counter to the weakness in non-residential fixed investment over the past year. Thus, a housing market rebound represents one component of a scenario that permits the Fed to raise rates further and still engineer a

soft landing.