The Daily Dish

Housing Market Update

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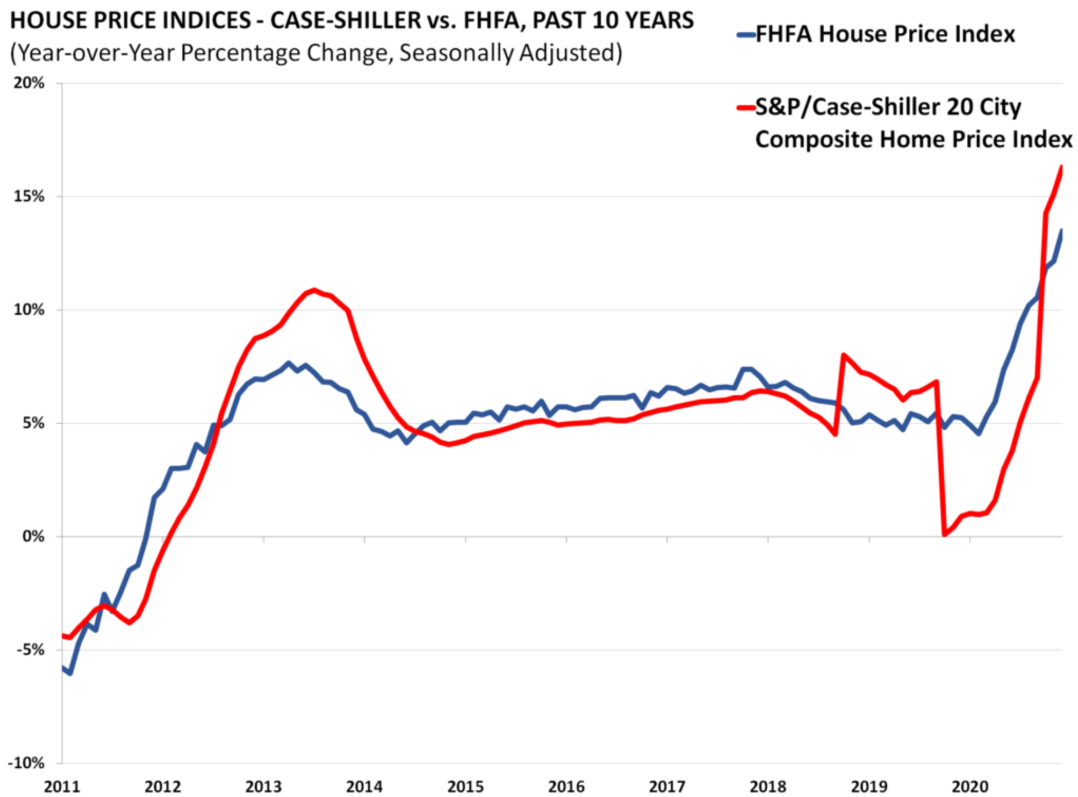
Eakinomics: Housing Market Update

The housing market has been making lots of news lately – notably the 24 percent year-over-year increase in the median house price to $350,300 in May – so I was more anxious than usual to take a look at Thomas Wade's latest update to the housing chart book. In light of the news, I was not surprised at the sharp uptick in house prices in recent months:

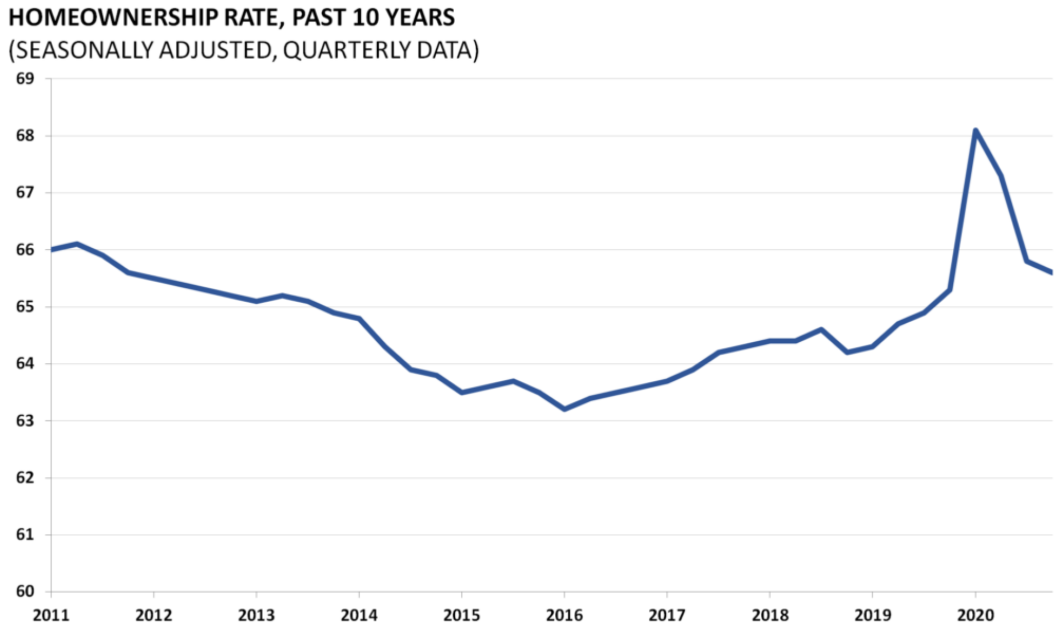


It is a little surprising to see the Case-Shiller index spike up so much more than the FHFA index, but that discussion can be reserved for National Housing Nerd Day.

When you scroll through the Chartbook (and you WILL scroll through the Chartbook, right?), you will notice that mortgage interest rates have ticked upwards of late, but remain historically low. No surprise there.

Another thing to note is that broadly speaking all the indicators of activity – housing permits, starts, sales, etc. – show a 2021 pattern of growth, followed by a pause, and then a resumption of growth. The pause seems to reflect supply chain difficulties (e.g., a lumber shortage), and the expectation is that activity will be strong the remainder of 2021.

But the shocker – at least for me – is shown in the chart below. Despite everything one has heard about everybody buying a house, the homeownership rate remains two full percentage points below its pre-pandemic peak, and continues to fall.



Let me close with one caveat. All of the housing data – and economic data more generally – are typically seasonally adjusted. Seasonal adjustment make sense when, for example, you expect a temporary retail hiring boom during the holiday season. But nobody has any idea what the pandemic hath wrought with respect to the seasonal distribution of economic activity. So take any one, two, or three months of data with a grain of salt.