

U.S. Single-family Home Prices Continued to Rise in September, But Growth Is Slowing

- **The Case-Shiller national home price index rose 0.3% to another record high in September, although year-over-year growth slowed.**
- **Home prices were up in 18 out of 20 metro areas covered for the month, and in all 20 for the year.**
- **House price growth has slowed in mid-2024 with high mortgage rates and low affordability.**
- **PNC expects current housing market weakness to be temporary, although higher mortgage rates are a risk.**

The S&P CoreLogic Case-Shiller U.S. National Home Price Index climbed 0.3% in September from August after seasonal adjustment. Single-family home prices continued to increase even with low housing affordability, elevated mortgage rates, and a gradually softening labor market, but yearly growth is slowing. On a year-over-year basis the index was up 3.9% in September; price growth was 4.3% in August and 4.9% in July. The index fell in the second half of 2022 but has increased every month since early 2023, and has been setting record highs since August 2023.

Prices were up on the month in 18 of the 20 metro areas covered in the release after seasonal adjustment, with the biggest increases in Cleveland (up 1.0%) and Phoenix and Seattle (both up 0.8%). Prices fell by 0.2% in Los Angeles and less than 0.1% in Miami. Prices were up firmly in all 20 metro areas in September on a year-ago basis, with the largest increases in Cleveland (7.1%), Chicago (6.9%), and Las Vegas (6.7%). The weakest year-over-year price growth was in Denver (0.2%), Portland (1.0%), and Dallas (1.1%).

According to Freddie Mac the average 30-year fixed mortgage rate was 6.2% in September, down from around 7% in late 2023 and early 2023, but up from below 3% as recently as late 2021. Housing affordability is very low with rising prices and high mortgage rates, leading to weaker demand for housing. According to the National Association of Realtors sales of existing homes dropped in September from August and the supply of existing homes for sale increased. The 30-year fixed mortgage rate is up from September to around 6.8% currently, and low affordability will continue to weigh on housing demand in the near term.

PNC expects short-run weakness in homebuilding, house price growth and existing home sales as high mortgage rates continue to constrain homebuyers and homebuilders. Housing starts, permits and completions all fell in October. Mortgage rates should gradually move lower in 2025 as the Federal Reserve eases monetary policy, allowing for a stronger housing market. But risks to the outlook for mortgage rates are to the upside under President-elect Trump, and higher rates would weigh on housing.

PNC Economics
economics@pnc.com

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