

Single-Family Home Prices Rose to All Time High Again in April Despite High Mortgage Rates

- **The Case-Shiller national home price index rose on the month in April and was up over the year.**
- **A slowdown in homebuilding and low resale inventories are contributing to rising single-family home prices.**
- **PNC expects home prices will increase at a slower pace in the second half of 2024.**

National home prices regained some momentum in March and April after dipping in early 2024. The S&P CoreLogic Case-Shiller U.S. National Home Price Index rose 1.2% to a new high in April from March, and jumped 6.3% from April last year. Price growth was slightly slower in April compared to March. Single-family home prices climbed up in all 20 metro areas covered in the release before seasonal adjustment, both on the month and on a year-ago basis. After seasonal adjustments prices increased in 15 metro areas in April from March, dropped in two (Phoenix and Washington), and remained flat in three (Dallas, Denver, and Tampa).

Prices were up from a year ago in April, but some metro areas experienced faster price gains than others because of undersupplied new construction permits relative to job creation. The highest year-over-year price gains were in San Diego (10.3%), New York (9.4%), and Chicago (8.7%). The housing shortage is more pronounced in New York with job creation running ahead of single-family permitting. Year-ago price gains were slowest in Portland (up 1.7%) and Denver (up 2%) with recent weaker job growth in these labor markets recently.

A slowdown in new home construction in recent months and low resale single-family inventories are contributing to rising single-family home prices, despite historically low affordability. With tight credit homebuilder confidence has retreated somewhat in the spring, and new construction housing permits and starts also dropped in April and May. The pullback in construction and low inventories of existing single-family homes are pushing up prices, even as the cost of homeownership has increased due to the run-up in mortgage rates over the past couple of years.

PNC expects the growth in home prices will continue as pressures from constrained supply outweigh the drag from low affordability and an expected softening in the labor market. PNC expects a gradual decline in the 30-year fixed mortgage rate in the second half of this year, but it will remain above 6.5% at the end of 2024, still well above the sub-3% rates in the aftermath of the pandemic. Resale inventories of existing homes will remain low as this interest rate differential discourages households from moving. The labor market will continue to support home purchasing later this year, but at a slower pace.

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