

Home Prices Pick Up Steam in Most Metro Areas during Second Quarter

[Click here for more information on this article](#)



Median home prices continued to rise in the majority of metropolitan areas in the second quarter, with the national year-over-year price showing the strongest gain in seven-and-a-half years, according to the [latest quarterly report](#) by the National Association of REALTORS®.

Despite rising prices and higher mortgage interest rates, a companion breakout of income requirements to buy a median-priced home on a metro area basis shows most buyers remain well positioned to afford a home in their area.

The median existing single-family home price increased in 87 percent of measured markets, with 142 out of 163 metropolitan statistical areas (MSAs) showing gains based on closings in the second quarter compared with the second quarter of 2012. Fifty areas, 31 percent, had double-digit gains; one was unchanged and 20 had price declines.

Eight markets were added to the report in the latest quarter. In the second quarter of last year, 75 percent of all available areas showed price gains from a year earlier, and only 14 percent of markets rose by double-digit amounts.

Lawrence Yun, NAR chief economist, said tight inventory is continuing to drive home prices. "There continue to be more buyers than sellers, and that is placing pressure on home prices, with multiple bids common in some areas of the country," he says. "Higher interest rates are now causing sales to level out, but the tight supply conditions look to be with us for the balance of the year in most of the country. Areas with tighter supplies generally are seeing the strongest price growth, including markets such as Sacramento, Atlanta, Las Vegas, Naples, San Francisco and Los Angeles."

The national median existing single-family home price was \$203,500 in the second quarter, up 12.2 percent from \$181,300 in the second quarter of 2012, which is the strongest year-over-year increase since the fourth quarter of 2005 when it surged 13.6 percent. In the first quarter the median price rose 11.3 percent from a year earlier.

The median price is where half of the homes sold for more and half sold for less. A shrinking market share of lower priced homes accounts for some of the price growth. Distressed homes – foreclosures and short sales generally sold at discount – accounted for 17 percent of second quarter sales, down from 26 percent a year ago.

Yun notes areas impacted by judicial foreclosure are seeing more modest price increases. "In areas where foreclosed inventory still looms because distressed properties are mired in a slow process, lender and market uncertainty are holding back price growth. This includes areas such as New York City; Hartford; Conn.; and some markets in New Jersey."

At the end of the second quarter there were 2.19 million existing homes available for sale, which is 7.6 percent below the close of the second quarter of 2012, when 2.37 million homes were on the market. The average supply during the quarter was 5.1 months, compared with 6.4 months in the second quarter of 2012.

"Supplies in the low 5-month range can be expected for the foreseeable future," Yun says. "Steady increases in new home construction will help to relieve shortage conditions going into 2014, which would moderate price growth."

Total existing-home sales, including single-family and condo, rose 2.4 percent to a seasonally adjusted annual rate of 5.06 million in the second quarter from 4.94 million in the first quarter, and were 12.3 percent above the 4.51 million level during the second quarter of 2012. Sales were at the highest pace since the second quarter of 2007, when they hit 5.23 million.

According to Freddie Mac, the national commitment rate on a 30-year conventional fixed-rate mortgage averaged 3.69 percent in the second quarter, up from 3.50 percent in the first quarter; it was 3.80 percent in the second quarter of 2012. Mortgage interest rates have trended higher in recent weeks.

NAR President Gary Thomas, broker-owner of Evergreen Realty in Villa Park, Calif., said higher interest rates ironically may end up helping some buyers by making it easier to qualify for a loan. "Refinancing activity has slowed dramatically, yet banks have a lot of money and staffing resources, many of whom have less work," he says.

"Banks now have an incentive to increase loan origination, which means they may dial back overly restrictive mortgage lending standards that have been in place since the crash," Thomas adds. "We are also optimistic that proposed federal regulations will ensure that creditworthy borrowers continue to have access to safe, affordable options for buying a home."

A separate breakout of qualifying incomes to purchase a median-priced existing single-family home on a metropolitan area basis generally shows potential buyers were well positioned to purchase in the second quarter. Income requirements are determined using several scenarios on downpayment percentages, which assume 25 percent of gross income is devoted to mortgage principal and interest, with a mortgage interest rate of 3.7 percent.

The national median family income of \$62,600 would easily qualify a buyer to purchase a median-priced home in the second quarter. However, to purchase a home at the national median price, a buyer making a 5 percent downpayment would only need an income of \$43,100. With a 10 percent downpayment the required income would be \$40,800, while with 20 percent down, the necessary income is \$36,300.

In the condo sector, metro area condominium and cooperative prices – covering changes in 56 metro areas – showed the national median existing-condo price was \$199,700 in the second quarter, up 12.2 percent from the second quarter of 2012. Fifty metros showed increases in their median condo price from a year ago and six areas had declines.

Regionally, existing-home sales in the Northeast were unchanged in the second quarter but are 9.1 percent above the second quarter of 2012. The median existing single-family home price in the Northeast was \$257,900 in the second quarter, up 6.9 percent to from a year ago.

In the Midwest, existing-home sales rose 2.3 percent in the second quarter and are 14.6 percent higher than a year ago. The median existing single-family home price in the Midwest increased 7.9 percent to \$160,600 in the second quarter from the same quarter last year.

Existing-home sales in the South increased 3.2 percent in the second quarter and are 15.1 percent above the second quarter of 2012. The median existing single-family home price in the South was \$180,700 in the second quarter, up 11.0 percent from a year earlier.

In the West, existing-home sales rose 2.5 percent in the second quarter and are 7.4 percent above a year ago. With limited inventory, the median existing single-family home price in the West surged 18.2 percent to \$277,500 in the second quarter from the second quarter of 2012.