Home prices climb 6.2 percent nationwide

Home prices continued to soar nationwide in November, rising 6.2 percent, a modest uptick from year-over-year 6.1 percent gains tallied a month earlier, according to the latest S&P CoreLogic Case-Shiller U.S National Home Price NSA Index released on Tuesday.

Fueled in part by historically low inventory, home prices in Seattle, Las Vegas and San Francisco climbed the highest, outpacing wage gains and inflation with above-average increases of 12.7 percent, 10.6 percent and 9.1 percent, respectively, according to the indices.

“Home prices continue to rise three times faster than the rate of inflation,” said David Blitzer, managing director and chairman of the Index Committee at S&P Dow Jones Indices, in a prepared statement. “Given slow population and income growth since the financial crisis, demand is not the primary factor in rising home prices. Construction costs, as measured by National Income and Product Accounts, recovered after the financial crisis, increasing between 2 percent and 4 percent annually, but do not explain all of the home price gains.”

Single-family home construction has remained sluggish since 2010, with annual starts averaging 632,000, far below the 698,000 starts recorded at the height of the financial crises between 2007 and 2009, Blitzer said. “Without more supply, home prices may continue to substantially outpace inflation,” he added.

The S&P/Case-Shiller 20-city index, meanwhile, increased 0.7 percent between September and November and rose 6.4 percent year-over year, according to the report, up a modest .1 percent from the previous month. The housing index has tallied year-over-year gains of 5 percent or more since late 2016.

Economists on Friday were quick to weigh in on the continued housing hot streak, but many echoed their worries about low inventory. Zillow senior economist Aaron Terrazas, however, suggested that a recent end-of-year uptick could signal increased activity in 2018.

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"There are signs this may be beginning to shift," Terrazas said. "Inventory of newly built homes for sale crept up at the end of 2017, to the highest level since April 2009. And while home prices in general continue to rise past record highs, new home prices are growing at a much slower annual pace than overall home values, a sign that builders at least seem to be trying to keep costs in check."

Cheryl Young, a senior economist at Trulia, said rising home prices would hit middle-class families the hardest.

"Particularly low supply in the starter and trade-up submarkets meant that lower and middle-income home seekers face the strongest headwinds in terms of homebuying," said Young in a statement released to the press on Tuesday.

The S&P/Case-Shiller U.S. National Home Price Index is a composite of single-family home price

indices that is calculated monthly. The indices for the nine U.S. Census divisions are calculated using estimates of the aggregate value of the single-family housing stock.

The nine divisions are:

- New England
- Middle Atlantic
- East North Central
- West North Central
- South Atlantic
- East South Central
- West South Central
- Mountain
- Pacific

CoreLogic serves as the calculation agent for the S&P/Case-Shiller U.S. National Home Price Index.

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