Home prices reached peak levels in majority of metros in 2016

The National Association of Realtors (NAR) released its latest Metropolitan Median Area Prices and Affordability report, which boasted the best quarterly sales pace of the year and the highest sales prices since 2005 in half of the measured markets.

The median existing single-family price increased in 158 out of 179 measured markets, and only 20 markets reported lower median prices compared to Q4 2015. Furthermore, 31 metro areas experienced double-digit increases — a 14 percent year-over-year increase.

“Buyer interest stayed elevated in most areas thanks to mortgage rates under 4 percent for most of the year and the creation of 1.7 million new jobs edging the job market closer to full employment,” said NAR Chief Economist Lawrence Yun.

“At the same time, the inability for supply to catch up with this demand drove prices higher and continued to put a tight affordability squeeze on those trying to reach the market.”

Median prices and incomes

The national median single-family home price in Q4 was $235,000, a 5.4 percent quarter-over-quarter and 5.7 percent year-over-year increase.

Despite the median household income increasing to $70,831, higher home prices and a spike in mortgage rates weakened affordability from 2015. In order to buy a single-family home at the national median price, a buyer making a 5 percent down payment would need a yearly income of $51,017.

A buyer making a 10 percent down payment would need a yearly income of $48,332 and a buyer making a 20 percent down payment would need a yearly income of $42,962.

Yun says higher median household incomes wouldn’t be enough to offset the impact of higher home prices and mortgage rates.

“Even a pick-up in wage growth may be insufficient to compensate the impact of higher mortgage rates and home prices,” he noted. “Increased homebuilding will be crucial to alleviate supply shortages and stave off the affordability hit.”

The areas where buyers are feeling the crunch from high median home prices are:

- San Jose, California ($1,005,000)

- San Francisco ($837,500)
- Anaheim-Santa Ana, California ($745,200)
- Urban Honolulu ($740,200)
- San Diego ($593,000)

The five most affordable cities are:

- Youngstown-Warren-Boardman, Ohio ($87,600)
- Decatur, Illinois ($92,400)
- Cumberland, Maryland ($94,000)
- Rockford, Illinois ($109,500)
- Binghamton, New York ($109,700)

Regional breakdown

In the Northeast, existing-home sales jumped 10.5 percent in the fourth quarter and are now 6.4 percentage points above the fourth quarter of 2015. The median existing single-family home price was $254,100, a 0.2 percent year-over-year decrease.

In the Midwest, existing-home sales rose 2.3 percent in the fourth quarter and are 8.8 percentage points above a year ago. The median existing single-family home price was $181,000, a 5.7 percent year-over-year increase.

In the South, existing-home sales increased 2.6 percent in the fourth quarter and are 5.4 percentage points higher than the fourth quarter of 2015. The median existing single-family home price was $210,500, a 7.9 percent year-over-year increase.

In the West, existing-home sales rose 1.6 percent in the fourth quarter and are 9.1 percentage points above a year ago. The median existing single-family home price was $348,800, a 7.8 percent year-over-year increase.

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