



Harry's Take

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Home Prices Finally Start Falling: This Time, the Crash Should Be by 50%

Median home prices finally started to fall in April. They were down 1.7% from March in the chart below and down 3.4% year-over-year. The level of home sales fell by 3.4% month-over-month and fell a more serious 23.2% over last year. This is a meaningful reversal, coming from a high of 26% price growth in mid-2021, and is just the beginning of the second and final crash in housing that I have been expecting.

Home Prices Fall for First Time Since 2012: This Is Just the Beginning



Source: <https://www.wsj.com/articles/home-prices-posted-largest-annual-drop-in-more-than-11-years-in-april-613f2d58>

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The reason homes prices have held up as well as they have, given high expectations of a recession, is that there continues to be low supply, at 2.9 months of sales. A lot of households can't afford to move or sell their house to trade up, given the sharp rise in mortgage rates from just below 4% to 7% currently on a 30-year mortgage due to Fed tightening from March 2022 to now.

Housing bubbles are much rarer than stock bubbles in history, and now we have two in a row, with the first peaking in early 2006 and the second now. The most obvious target is merely to fall back to the 2012 lows. That would be about 50% for the average house and more like 60% to 70% for the more upscale and vacation homes... Ouch!

If you've been waiting for a clearer sign that the next housing bubble is bursting, this is it! Sell now if you are planning to and don't hold out for the perfect offer.

Harry

Got a question or comment? You can contact us at info@hsdent.com.