Case-Shiller Single-Family Home Price Index Sets Another Record High in May Even As Mortgage Rates Remain Elevated

- The Case-Shiller national home price index rose on the month and year-over-year in May, setting another record high.
- Home prices were up in 17 out of 20 metro areas covered for the month, and in all 20 for the year.
- Price growth has slowed into mid-2024 under cooling demand and low housing affordability.
- PNC expects home prices will continue to increase from last year, but at a slower pace.

The S&P CoreLogic Case-Shiller U.S. National Home Price Index climbed 0.3% in May after seasonal adjustment, close to the consensus expectation. On a year-over-year basis the index was up 5.9% in May; price growth was 6.4% in April and 6.5% in March. The index fell in the second half of 2022 but has increased every month since early 2023, and has been setting record highs since July 2023. Price growth has slowed since the fall of 2023, however.

Prices were up on the month in 17 of the 20 metro areas covered in the release after seasonal adjustment, with the biggest increases in Detroit (up 0.9%), New York (0.8%) and Cleveland (0.7%). Prices were down 0.6% in Phoenix in May, 0.4% in Portland, and 0.1% in Dallas. Over the past year prices were up firmly in all 20 metro areas in May, with the largest increases in New York (9.4%), San Diego (9.1%), and Los Angeles (8.6%). The weakest year-over-year price growth was in Minneapolis (2.4%), Denver (2.1%) and Portland (1%).

Demand for existing homes has continued to cool in recent months. Amid falling sales, the supply of existing single-family homes for sale picked up from 2.8 months in February to four months in June. From the supply side, single-family construction has slowed over the course of 2024, with single-family housing starts falling for four consecutive months through June. Homebuilder confidence continued to drop in July according to the National Association of Home Builders (NAHB). The pullback from homebuilders and constrained, albeit increasing, inventories of existing homes for sale continue to exert upward pressure on national home prices even with historically low affordability.
Housing affordability remains a challenge in 2024 with slower wage growth and fast-rising home prices. A pickup in resale inventory and cooling demand will drive slower price growth in existing single-family homes in the near term. PNC expects home prices to continue to increase in the near term, but at a slower pace. Slower price growth and falling mortgage rates as the Federal Reserve eases monetary policy will lead to improved housing affordability later this year and in 2025.

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