



U.S. Home Prices Rose in January At Slower Pace; High Rates to Weigh on Price Growth

Headlines

- **The Case-Shiller national home price index increased 0.2% in January.**
- **Prices nationally were up 0.9% in January on a year-ago basis, a slowing from 2025.**
- **Prices were up in 14 out of 19 metro areas covered in January.**
- **PNC expects elevated mortgage rates and a weak labor market to weigh on home price growth in the near term, with the ongoing Iran conflict a large downside risk.**

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Details

The S&P Cotality Case-Shiller U.S. National Home Price Index rose 0.2% after seasonal adjustment in January from December. Home prices rose each month between January 2023 and February 2025, but fell from April to July last year as high mortgage rates weighed on housing demand and more inventory came online (see Figures 1). Prices have been increasing since July, however.

On a year-over-year basis the index was up 0.9% in January. After peaking at above 4% in January 2025, year-ago price growth has slowed every month since then. January was the weakest month for annual price growth since mid-2023. Even with small declines in prices in mid-2025, prices are up more than 50% compared to before the pandemic.

Prices were up on the month in 14 of the 19 metro areas covered in the release after seasonal adjustment, with the largest increases in Charlotte (up 0.69%), Miami (up 0.65%), and Phoenix (up 0.57%). Prices fell in three metro areas in January

from December, down 0.4% in San Diego, 0.3% in Seattle, and by less than 0.1% in San Francisco. Prices were flat over the month in Atlanta and Denver. The Detroit metropolitan area index was not released for January because of a delay at a county-level recording office; however, the area's December home price index rose 0.5%, slightly above the national increase of 0.4% for the month.

On a year-ago basis prices were up in nine metro areas in January, led by New York City (up 4.9%), Chicago (up 4.6%), and Cleveland (up 3.6%) (Figure 2). **Prices were down in 10 metro areas**, led by Tampa (down 2.5%), Denver (down 2.0%) and Phoenix (down 1.6%).

Nationally, the supply of existing homes for sale at the current sales pace was unchanged at 3.8 months in February from January, and up from 3.5 months in December 2025, according to the National Association of Realtors. Housing inventory and months of existing home supply were still up about



5-6% at the end of 2025 from a year earlier, weighing on price gains. Despite a pickup in housing inventory overall, major metro areas in the Northeast, like greater New York, are still undersupplied. Home prices in those areas continue to increase on a month-on-month basis. However, a slowing labor market and low affordability are weighing on housing demand and prices across the country.

With elevated mortgage rates and big prices gains over the past few years housing affordability, based on mortgage payments relative to incomes, is near its lowest level since the 1980s, even lower than it was during the housing boom two decades ago. **Extremely low affordability, rising inventories, and a softening labor market will continue to weigh on home price growth in the near term.** Stronger job growth and continued wage gains should help juice housing demand and increase housing affordability, even with modest price growth, but risks are tilted to the downside with the ongoing Iran conflict. Already, the typical 30-year fixed mortgage rate has risen from slightly below 6% just before the U.S. military action against Iran to 6.4% currently.

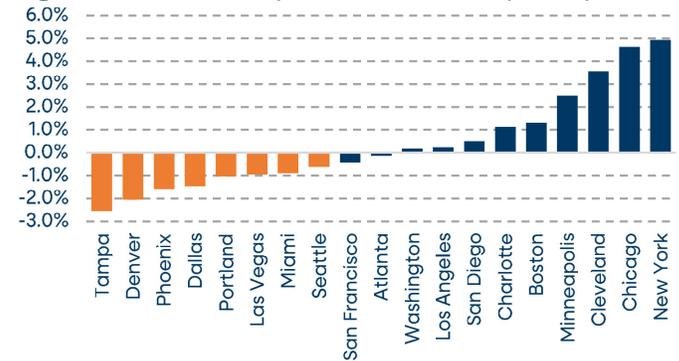
Overall, year-over-year home price growth will continue to slow over the near term, with particular downside risks from the ongoing Iran conflict. PNC expects the Federal Open Market Committee to keep federal funds rates stable in the second half of 2026. Mortgage rates will remain elevated, above 6%, in part because markets are pricing higher expected inflation into long-term rates. The longer the Iran conflict—particularly a prolonged war with further U.S. engagement—the greater the inflation risks and the drag on the U.S. housing market. Those dynamics could drive the average 30-year fixed mortgage rate closer to 6.5% at least temporarily, further weighing on affordability and housing demand.

Figure 1: S&P Cotality Case-Shiller HPI (Jan 2000 = 100)



Source: Cotality, Case-Shiller

Figure 2: S&P Cotality Case Shiller HPI (%YoY)



Source: Cotality, Case-Shiller



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