



# U.S. Home Prices Rose Unexpectedly in August

## Headlines

- **The Case-Shiller National Home Price Index rose in August, defying expectations for a small decline.**
- **Prices were up in 11 out of 20 metro areas covered in August, an improvement from previous months.**
- **PNC expects improvements in housing affordability under falling interest rates later this year and in 2026.**

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## Details

**The S&P CoreLogic Case-Shiller U.S. National Home Price Index rose 0.2% after seasonal adjustment against the consensus expectation of a small drop in August.** Home prices rose consistently from December 2022 through February 2025. However, they began to decline this year as high interest rates weighed on demand and inventory increased. On a year-over-year basis the index was up 1.5% in August, the seventh straight month of slowing annual price gains. Even with small declines over the last few months, prices are up more than 50% compared to before the pandemic.

**Prices were up on the month in 11 of the 20 metro areas covered in the release after seasonal adjustment,** with the largest increases in San Francisco (up 0.83%), Chicago (up 0.64%) and Seattle (up 0.53%). Prices fell in nine metro areas in August from July, with the largest declines in Miami (down 0.62%), Phoenix (down 0.61%), and Tampa (down 0.50%). On a year-ago basis prices were up in 11 areas in August led by New York City (up 6.10%), Chicago (up 5.90%), and Cleveland (up 4.65%)

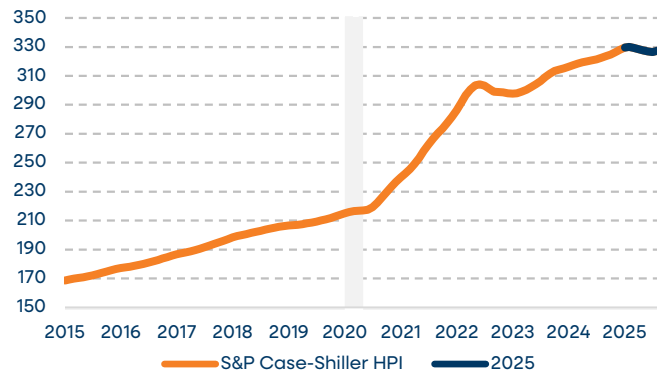
(Figure 2). On a year-ago basis single-family home prices were down in nine areas led by Tampa (down 3.31%), Phoenix (down 1.68%), and Miami (down 1.66%).

Nationally, the supply of total existing homes for sale held steady at around 4.6 months for the fifth straight month in September at the current pace of sales, according to the National Association of Realtors. The inventory of homes for sale matched a five-year high but is still below pre-pandemic levels, putting upward pressure on home prices. Mortgage rates are still near the highest level in decades. 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 year-over-year home price gains through the rest of 2025. PNC expects two more 25 basis point cuts in the federal funds rate in 2025, at the FOMC's last

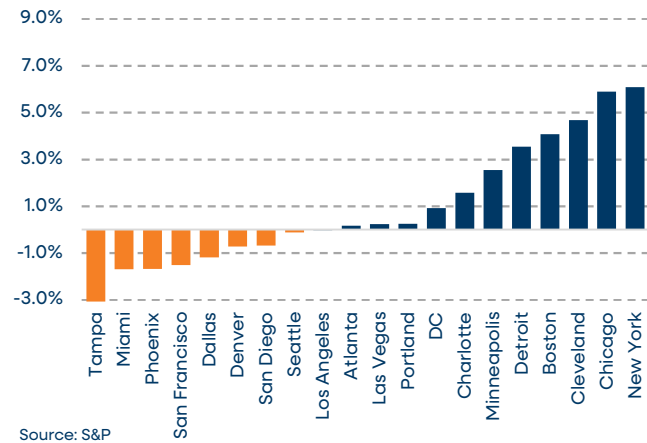


two meetings of the year in October and December, and an additional interest rate cut at the start of 2026. Lower mortgage rates in 2026 should help support housing demand and restore home price growth.

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



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





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