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A Message from Elliot "E J" Paul:

"Ruben, Good speaking with you a few minutes ago... Here is the recent newsletter about housing prices. Thanks! EJ Paul"

Home Prices Eroded Further in October

Annual home price increases fell back into single digits in October. Both the S&P CoreLogic Case-Shiller and Federal Housing Finance Agency's (FHFA's) Home Price Index reported that rising [interest rates](#) have essentially ended two years of explosive appreciation, and in many cases, home prices have begun to decline.

The Case-Shiller National Index, which covers all nine U.S. census divisions, **rose 9.2 percent year-over-year in October, compared to a 10.7 percent increase the previous month.** The 10-City Composite annual increase came in at 8.0 percent, 1.6 percentage points lower than in October, while the 20-City Composite's gain was 8.6 percent, down from 10.4 percent. All 20 cities reported lower price increases in the year ending in October versus the year that ended in September.

Some cities still show exceptional annual growth. Miami led the way with a 21 percent year-over-year price increase, followed by Tampa with a 20.5 percent increase, and Charlotte in third place at 15 percent. The two weakest performers were San Francisco (up only 0.6 percent year-over-year) and Seattle (+4.5 percent). Both cities peaked in May 2022, and both have declined by more than 10 percent since then.

CoreLogic Deputy Chief Economist Selma Hepp said of the results, "Home price growth continued its rapid slowdown, dropping sales volume as much as 40 percent year over year this fall. These trends will likely continue into 2023, with prices expected to decline annually by the second quarter. Even with general housing market volatility, 2022's home price growth will be the second highest after 2021."

Price growth, or the lack of it, showed up even more clearly in monthly data. The National Index and all 20 cities in the composites reported declines both before and after seasonal adjustments. **The National Index was down 0.5 percent on a non-seasonally adjusted (NSA) basis** and the 10-City and 20-City Composites posted decreases of -0.7 percent and -0.8 percent, respectively. The seasonally adjusted (SA) numbers were -0.3, for the National Index and -0.5 percent for both composites.

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	6.86%	-0.05	0.00
15 Yr. Fixed	6.31%	-0.02	0.00
30 Yr. FHA	6.32%	-0.06	0.00
30 Yr. Jumbo	7.04%	-0.03	0.00
5/1 ARM	6.53%	-0.02	0.00
Freddie Mac			
30 Yr. Fixed	6.78%	-0.08	0.00
15 Yr. Fixed	6.07%	-0.09	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	7.00%	-0.03	0.60
15 Yr. Fixed	6.63%	+0.07	0.61
30 Yr. FHA	6.87%	-0.03	0.92
30 Yr. Jumbo	7.13%	+0.02	0.38
5/1 ARM	6.22%	-0.16	0.60

Rates as of: 7/26



Craig J. Lazzara, Managing Director of the Dow Jones Indices said October marked the fourth consecutive month of declining home prices in the U.S. He noted the National Index is now down 3 points from the market's June peak and the 10- and 20-City Composites are both down 4.6 percent. **“These declines, of course, came after very strong price increases in late 2021 and the first half of 2022.** Despite its recent weakness, on a year-over-year basis, the National Composite gained 9.2 percent, which is in the top quintile of historical performance levels.

“Despite considerable regional differences,” he continued, “all 20 cities in our October report reflect these trends of short-term decline and medium-term deceleration. Prices declined in every city in October, with a median change of -0.9 percent. Year-over-year price gains in all 20 cities were lower in October than they had been in September; the median year-over-year increase across the 20 cities was 8.3 percent.

“As the Federal Reserve continues to move interest rates higher, **mortgage financing continues to be a headwind for home prices.** Given the continuing prospects for a challenging macroeconomic environment, prices may well continue to weaken.”

Hepp concurred, saying, “2023 will likely pose additional market challenges as for-sale inventory continues to shrink and both homebuyers and sellers pause because of affordability constraints, fear of falling prices and an unwillingness to surrender locked-in low **mortgage rates.** But, if mortgage rates continue to fall, renewed optimism could reinvigorate the housing market in 2023.”

The S&P CoreLogic Case-Shiller Home Price Indices are constructed to accurately track the price of typical single-family home pairs for thousands of individual houses from the available universe of arms-length sales data. The indices have a base value of 100 in January 2000. The October reading for the National Index was 298.99. The 10-City Composite was at 315.13 and the 20-City Composite reading was 303.86.

The FHFA index shows a similar pattern. It was unchanged from September, a month that had managed a 0.1 percent increase. On an annual basis, prices rose 9.8 percent.

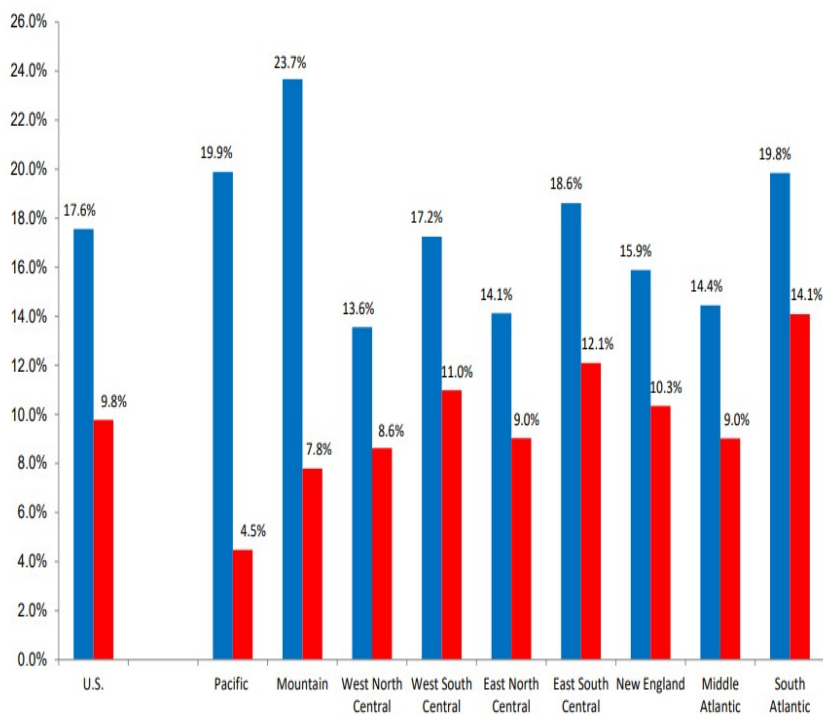
Five of the nine census divisions posted declines ranging from -0.1 percent in the East North Central division to -0.9 percent in the Pacific division. Four regions continued to show appreciation, ranging from 0.1 percent in the Middle Atlantic to 1.4 percent in New England. The 12-month changes were all positive, ranging from 4.5 percent in the Pacific division to 14.1 percent in the South Atlantic division.

Twelve-Month House Price Changes – Prior Year vs. Most Recent Year

Purchase-Only FHFA HPI® (Seasonally Adjusted, Nominal)

■ Price Change: 10/2020 - 10/2021

■ Price Change: 10/2021 - 10/2022



Source: FHFA

“U.S. house prices have seen two consecutive months of near-zero appreciation,” said Nataliya Polkovnichenko, Ph.D., Supervisory Economist, in FHFA’s Division of Research and Statistics. “Higher mortgage rates continued to put downward pressure on demand, weakening house price growth. The U.S. house price index growth decelerated as it posted the first 12-month growth rate below 10 percent after 24 consecutive months of double-digit appreciation rates.”

The FHFA HPI is derived from home purchase prices financed by the government-sponsored enterprises Fannie Mae and Freddie Mac. The HPI was indexed at 100 in January 1991. In October 2022 it was at 392.7.

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Have a relaxing weekend!

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