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**SMALL BUSINESS**

# Home Values Growing in Most U.S. Markets

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Pressure from this summer's housing inventory shortage caused U.S. home values to rise sharply in August. They are up 0.7% from July to \$256,663, the biggest month-over-month increase in nearly seven years, according to the [August Zillow Real Estate Market Report](#). Home value growth accelerated last month in 48 of the 50 largest markets and was relatively constant in the other two: Birmingham, Ala. and Richmond, Va.

Year over year, home values are up 5.1% in August, the largest annual rise since March 2019. Markets with the highest year-over-year increases in home values were Phoenix (10.5%), San Jose (10.3%) and Seattle (9.2%). The smallest year-over-year gains in home values among major metros were seen in Chicago (1.9%), New York (2.3%) and San Francisco (2.7%).

“American home shoppers faced an historic shortage of listings to choose from this summer, and that scarcity is now reflected in rapidly appreciating home values after a sluggish start to the home shopping season this spring,” said Zillow economist Jeff Tucker. “Builders are racing to catch up with demand, and rising prices should encourage more potential sellers to come off the sidelines and list. Still, the shortage of inventory should keep housing markets unusually tilted in sellers' favor this autumn.”

Nationwide, demand continues to outpace supply. Homes continue to fly off the market at a record pace and inventory is contracting, according to the most recent Zillow weekly housing market data. Listings' typical time on the market was 14 days, as of the week ending Sept. 12. That's 14 days faster than the year before.

Looking forward, upward price pressure seems likely to continue at least through the fall, thanks to the large inventory deficit. Purchase demand is holding steady at high levels, reflected in strong pending sales data, perhaps due to delayed purchases from earlier this spring and summer. Given that the housing market typically begins to cool off by late August, this stable volume of sales looks even more impressive: pending sales were up a whopping 23.3% year over year in the week ending September 12.

The Fed expects to keep interest rates near zero through at least 2023, and allow periods of higher inflation, in an effort to revive the economy. This news reinforces the Federal Reserve's commitment to keeping credit flowing using a broad policy toolkit that included purchases of mortgage-backed securities this year. In that context there is little reason to expect mortgage rates to rise significantly any time soon, which should help keep buyers active.

While the for-sale market has strengthened since April, the rental market has softened. The U.S. has seen yearly rent price appreciation decline every month since the pandemic began, dropping from 3.8% year-over-year rent growth in February to just 0.7% in August. The typical U.S. rent was \$1,771 in August, down 0.3% from July, which is the largest monthly decrease seen since September 2017.

“Rents softened further this August, especially in New York and the San Francisco Bay Area,” Tucker said. “Rental demand has been battered by still-elevated unemployment as well as some renters opting out of expensive markets with their ability to work remotely during the pandemic. The rental market may also be feeling an early gust of demographic headwinds, as the bumper crop of Millennials in their early 30s begin making the leap to homeownership.”

Compared to last year, typical rent is down 4.6% in New York, 4% in San Francisco and 3.8% in San Jose. In Boston, the fifth most expensive metro within the top 50, rents are down 2.8% since last year. Typical rents in Washington, D.C., Chicago, Austin, Houston, and Denver also declined since last year. The softening is especially pronounced in areas where [higher shares of college students](#) typically live.

Meanwhile, rents in Midwestern and Sun Belt cities are making headlong strides upwards. Memphis leads the way with 8.3% rent appreciation since last year, and has seen monthly increases throughout the pandemic. Phoenix rents bounced back with 1.1% month-over-month growth in August after posting negative figures in April and May.

Mortgage rates listed by third-party lenders on Zillow started the month at 3.1% and rose to twin peaks of 3.17% on Aug. 12 and Aug. 28. High volatility in mid-August led to a minimum of 2.97% on Aug. 13. August closed with rates at 3.12%. Zillow’s real-time mortgage rates are based on thousands of custom mortgage quotes submitted daily to anonymous borrowers on the Zillow Group Mortgages site by third-party lenders and reflect recent changes in the market.

[Click here to view the home value rankings by metropolitan area.](#)

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