

# What's Actually Happening With Home Prices Today?



One of the biggest questions people are asking right now is: *what's happening with home prices?*

There are a lot of headlines about price appreciation, but at the same time we are seeing some sellers are reducing the price of their homes. So what's really going on?

To get a clear picture, it's important to understand a few key terms that are used a lot in relation to the housing market:

**Appreciation** is when home prices increase.

**Depreciation** is when home prices decrease.

**Deceleration** is when home prices continue to appreciate, but at a slower or more moderate pace.

What we're seeing in the market today is deceleration. That means home prices are appreciating, just not at the record-breaking pace they have over the past year.



## High Interest Rates Cooling Demand

According to the latest report by CoreLogic, annual home price growth slowed for the third consecutive month in July but remained historically high at 15.8%.

The report singled out mortgage rates, which were around 5.5% in July, as the main factor behind chilled interest in home purchases, which is helping ease overheated and unsustainable price growth.

According to the report, home prices actually declined by 0.3% from June to July, which hasn't happened in over a decade.

While this might seem like a red flag for the housing market, the experts agree that this small level of depreciation is an anomaly that sprung from the sticker shock of high rates. CoreLogic expects to see a more "balanced" housing market in the coming year, with year-over-year appreciation still happening, but slowing to 3.8% by July 2023.

## The Bottom Line

Spiking interest rates are severely affecting home affordability for a lot of prospective homebuyers. This is causing many to sit on the sidelines, and as a result demand is decreasing leading to a small dip in home prices.

This affordability issue is not here to stay, however. Home price growth will moderate to a more sustainable level over the next year, and interest rates will eventually drop as we enter a recession.

House prices are caused by one thing: supply vs. demand. Yes, there are few buyers in an economy with high interest rates, but in order for home prices to go down drastically there needs to be fewer buyers than sellers – and that is just not within the realm of possibility today.

**Want to learn more? Please [schedule a call](#) today!**

P: (949) 535-2037 | M: (714) 697-8667 | F: (866) 757-0904  
Team@TeamMcDowell.com