



# AEI Housing Market Nowcast

Weeks 30 & 31 (July 18<sup>th</sup> – July 31<sup>st</sup>, 2020)

## Key takeaways

- **Driven by ultra-low mortgage rates and a limited supply, national home price appreciation (HPA) accelerated to around 9-10%.**
  - **This rate exceeds the rate before the pandemic, which may indicate the home price boom will likely continue due to low rates and heavy demand.**
- **In a continuation of the last several weeks' strong upward trend, purchase rate lock volume for the weeks 30 & 31 rose 40% and 32% from a year ago, respectively.**
  - **This provides further evidence that the worst of the near term effects of the COVID-19 pandemic lockdown may be behind us on a national level.**
  - **As a result of the last weeks' strong purchase lock volume, combined with strong volume in weeks 1-13, year-to-date volume is now running 21.6% ahead of last year.**

Note: Due to the recent stabilization in rate lock activity and trends, we will be publishing these nowcasts every other week and with minimal commentary unless we observe notable changes to the market, in which case we may produce additional reports.

Using newly acquired data from [Optimal Blue](#), a rate lock software provider covering roughly a third of the market, the AEI Housing Center Housing Market Nowcast provides near-real-time insights on the single-family residential housing market convulsing from the effects of the coronavirus pandemic. While Optimal Blue data are used, Edward Pinto and Tobias Peter are solely responsible for the analysis contained herein.

*Questions about this report should be directed to Edward Pinto ([pintoedward1@gmail.com](mailto:pintoedward1@gmail.com)) or Tobias Peter ([tobias.peter@aei.org](mailto:tobias.peter@aei.org)).*

*If you are not on our regular distribution list but would like to be added to it, please send your name and email address to [pintoedward1@gmail.com](mailto:pintoedward1@gmail.com)*

## Data

After extensive historical analysis of Optimal Blue data going back 7 years, we have concluded that these rate lock data track closely those reported in our National Mortgage Risk Index (NMRI), which cover 99% of the agency market.<sup>1</sup> As a result, today's Housing Market Nowcast provides an advance look at tomorrow's housing market as today's rate locks will become next month's home purchases and mortgages.

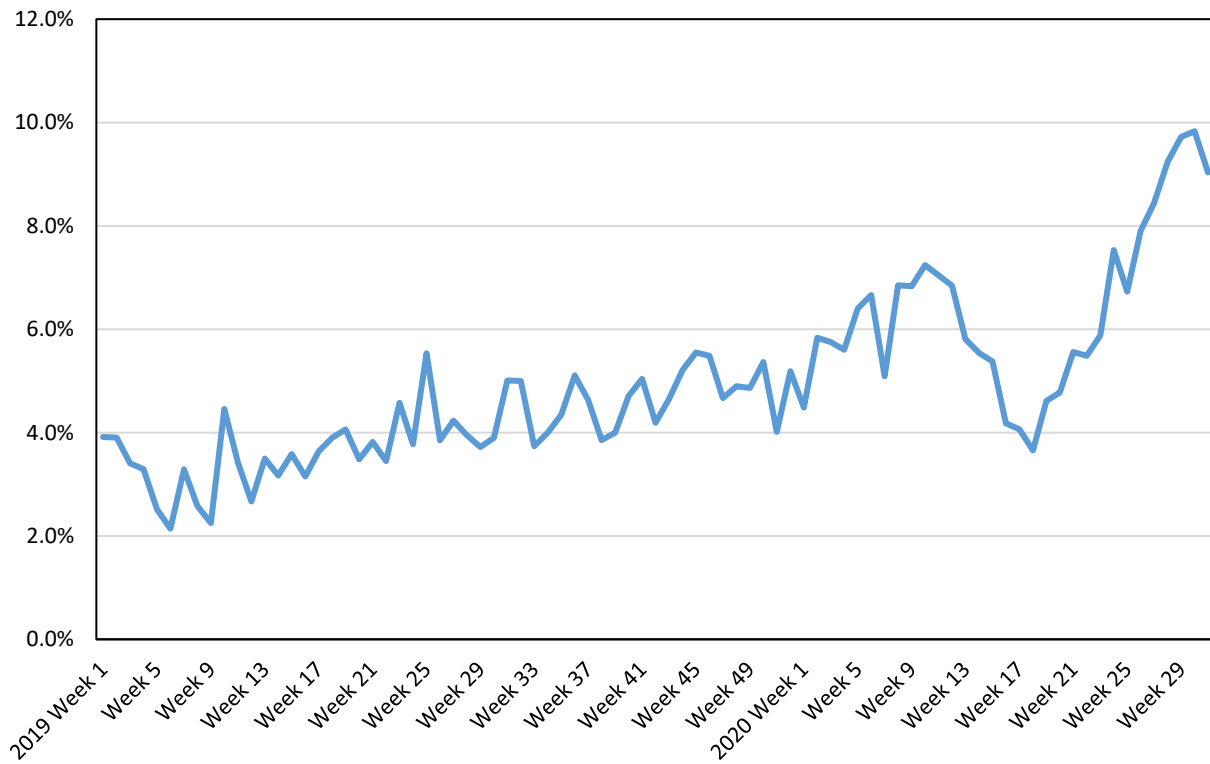
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<sup>1</sup> While not all rate locks will be originated or the Optimal Blue data cover the entire market, our analysis of the data has found them to be instructive as the changes over short time periods provide a useful signpost for what's to come.

## Home Price Appreciation (HPA) Trends

Driven by ultra-low mortgage rates and a limited supply, national HPA accelerated to 9.8% in week 30, a new peak for 2020, and 9.0% in week 31. This rate of HPA is unsustainable and far exceeds the levels before the pandemic.

*Chart 1: Weekly Year-over-Year National Home Price Appreciation*



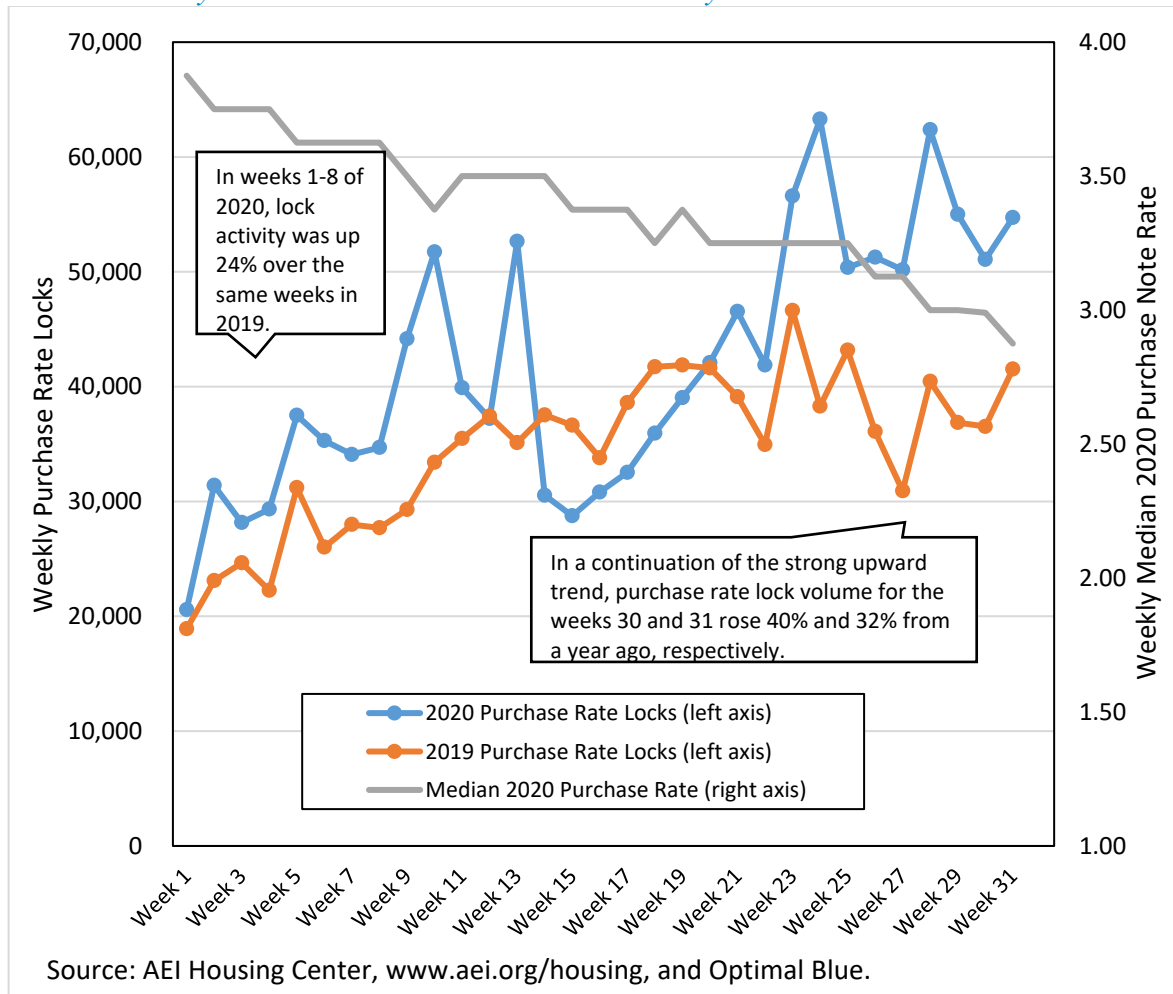
Source: AEI Housing Center, [www.aei.org/housing](http://www.aei.org/housing), and Optimal Blue.

## Weekly Purchase Rate Lock Activity & Mortgage Rates

In a continuation of the last several weeks' strong upward trend, purchase rate lock activity continued to far exceed 2019 activity. This increase is in part driven by low mortgage rates, which have fallen below 3.0%. As a result of the last weeks' strong purchase lock volume, combined with strong volume in weeks 1-13, year-to-date volume is now running 21.6% ahead of last year.

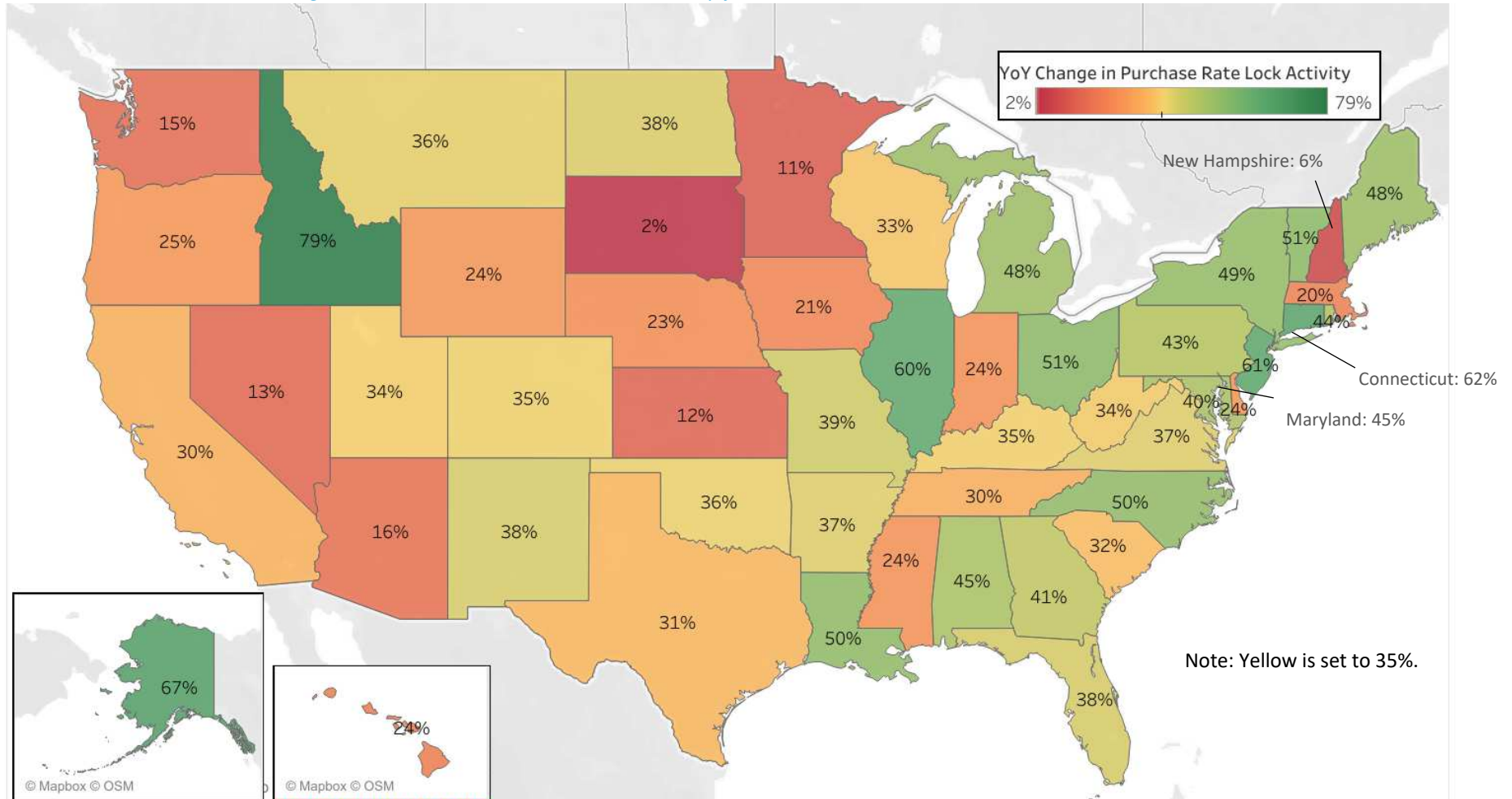
To analyze the impact of the coronavirus pandemic, we overlay 2019 data on top of 2020 data.

*Chart 2: Weekly Purchase Loan Rate Locks and Weekly Median Purchase Note Rate*



## State Purchase Rate Locks

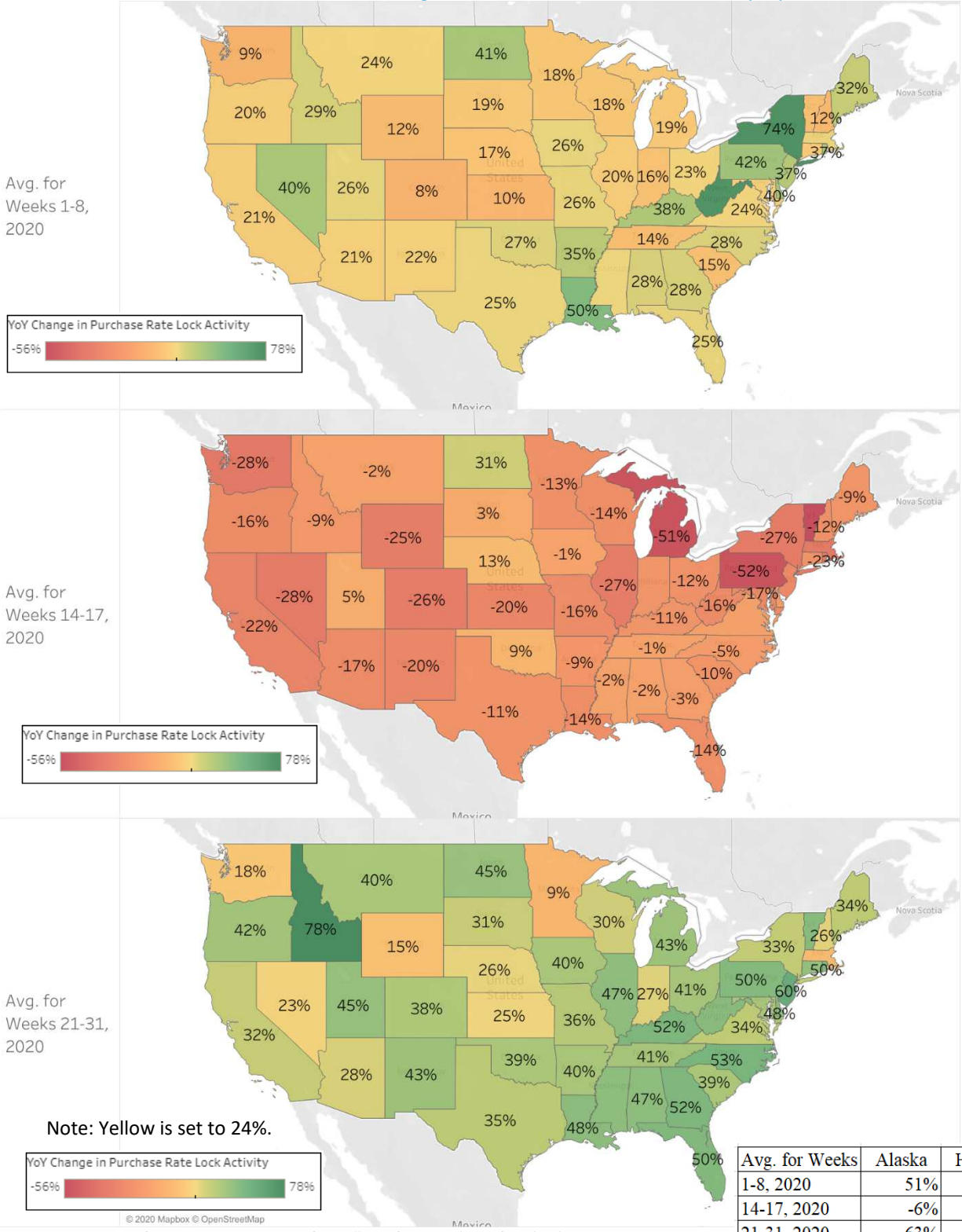
Chart 3: Year-over-Year Change in State Purchase Rate Lock Activity for Weeks 30-31 2020



Source: AEI Housing Center, [www.aei.org/housing](http://www.aei.org/housing), and Optimal Blue.

# State Purchase Rate Lock Activity by Period

Chart 4: State Year-over-Year (YoY) Change in Purchase Rate Lock Activity by Period



Source: AEI Housing Center, [www.aei.org/housing](http://www.aei.org/housing), and Optimal Blue.

## Purchase Rate Lock Trends by Period and Metro

*Table 1: Metro Year-over-Year (YoY) Change in Purchase Rate Lock Activity by Period*

YoY Change in Purchase Rate Lock Volume	Weeks 1-8 (pre-crisis)	Weeks 14-17 (during crisis)	Weeks 21-31 (post-crisis)
<b>Nation</b>	<b>24%</b>	<b>-16%</b>	<b>37%</b>
Atlanta, GA	31%	-4%	49%
Austin, TX	29%	-11%	41%
Baltimore, MD	24%	-12%	44%
Boston, MA	26%	-32%	10%
Cape Coral, FL	34%	-20%	48%
Charlotte, NC	20%	-14%	37%
Chicago, IL	22%	-28%	41%
Cincinnati, OH	14%	-18%	26%
Cleveland, OH	14%	-17%	43%
Columbus, OH	35%	-2%	36%
Dallas, TX	24%	-11%	32%
Denver, CO	6%	-29%	31%
Detroit, MI	14%	-56%	39%
Houston, TX	27%	-18%	30%
Indianapolis, IN	2%	-13%	16%
Jacksonville, FL	26%	1%	50%
Kansas City, MO	18%	-18%	21%
Las Vegas, NV	42%	-31%	20%
Los Angeles, CA	25%	-23%	16%
Miami, FL	25%	-29%	47%
Minneapolis, MN	15%	-16%	3%
Nashville, TN	9%	-5%	32%
New York, NY	39%	-25%	41%
North Port, FL	32%	-15%	61%
Orlando, FL	23%	-20%	43%
Philadelphia, PA	27%	-32%	44%
Phoenix, AZ	20%	-16%	25%
Pittsburgh, PA	70%	-61%	61%
Portland, OR	21%	-19%	41%
Raleigh, NC	26%	2%	43%
Riverside-SB, CA	34%	-11%	40%
Sacramento, CA	10%	-21%	43%
San Antonio, TX	27%	-2%	41%
San Diego, CA	28%	-19%	36%
San Francisco, CA	5%	-42%	30%
Seattle, WA	4%	-31%	14%
St. Louis, MO	22%	-17%	41%
Tampa, FL	18%	-8%	39%
Virginia Beach, VA	17%	-4%	38%
Washington, DC	22%	-15%	30%

Source: AEI Housing Center, [www.aei.org/housing](http://www.aei.org/housing), and Optimal Blue.

## Purchase Rate Lock Volume by First-time Buyer (FTB) Status and Credit Score Bin

Chart 5: First-Time Homebuyers Share of Primary Owner Occupied Purchase Rate Locks

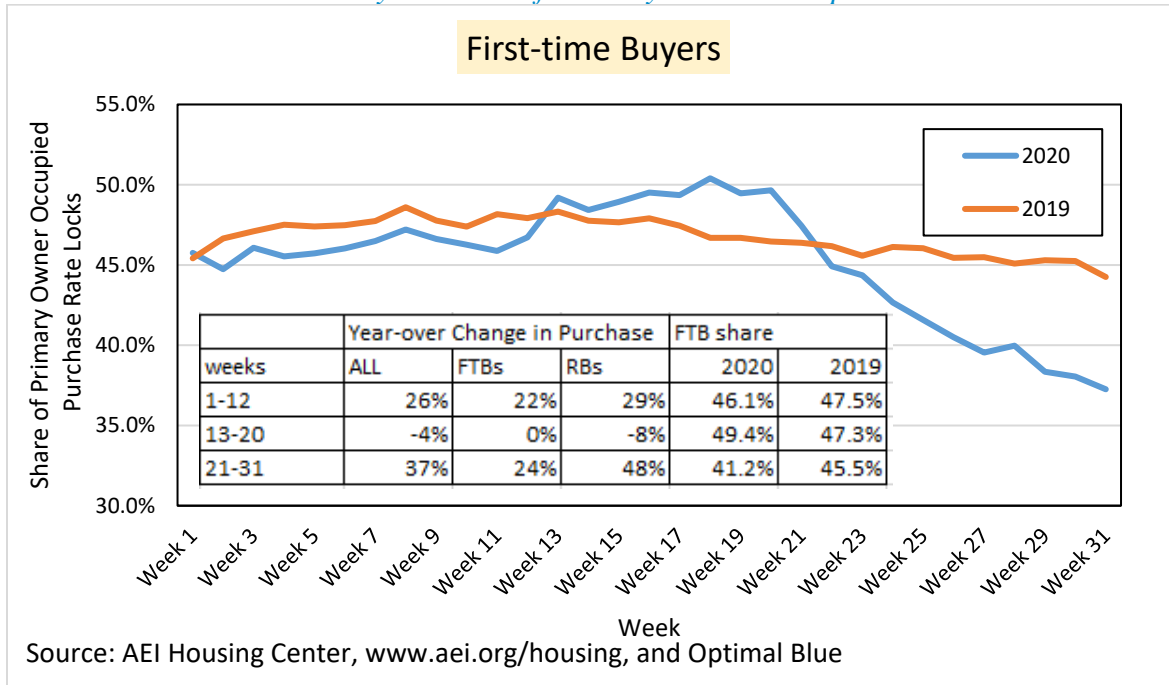
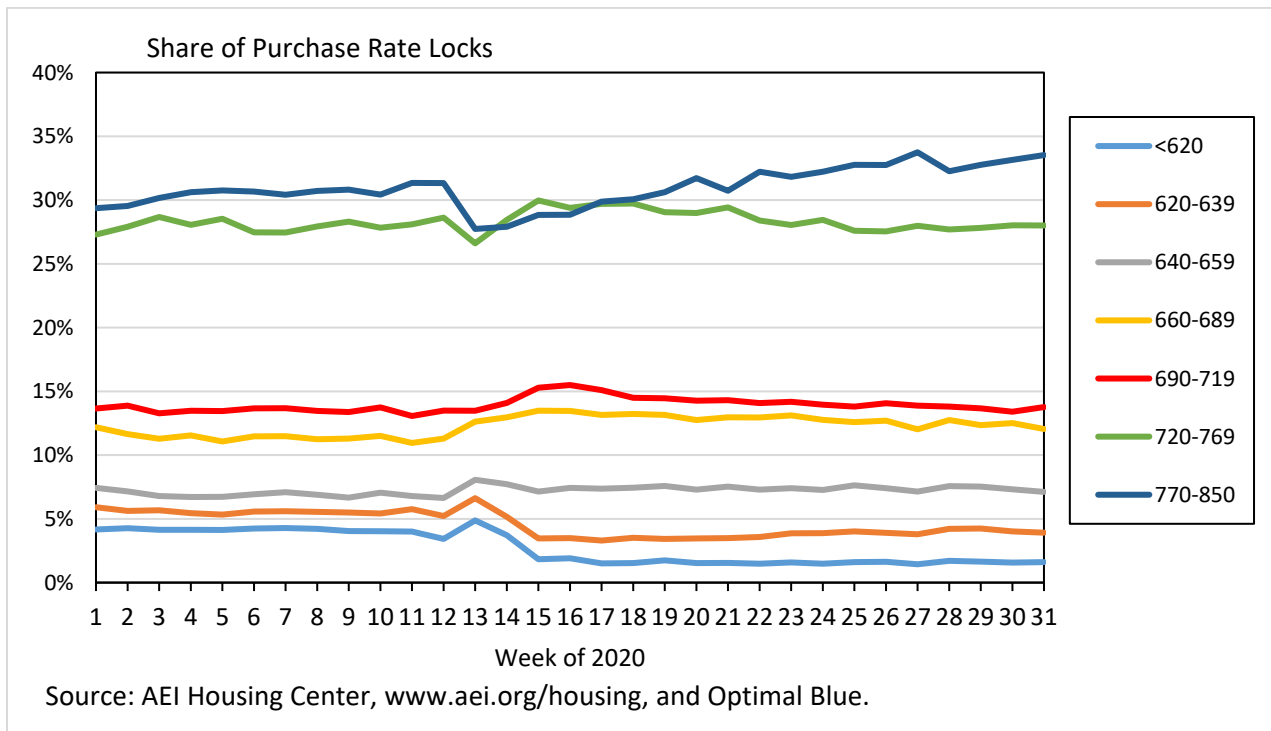


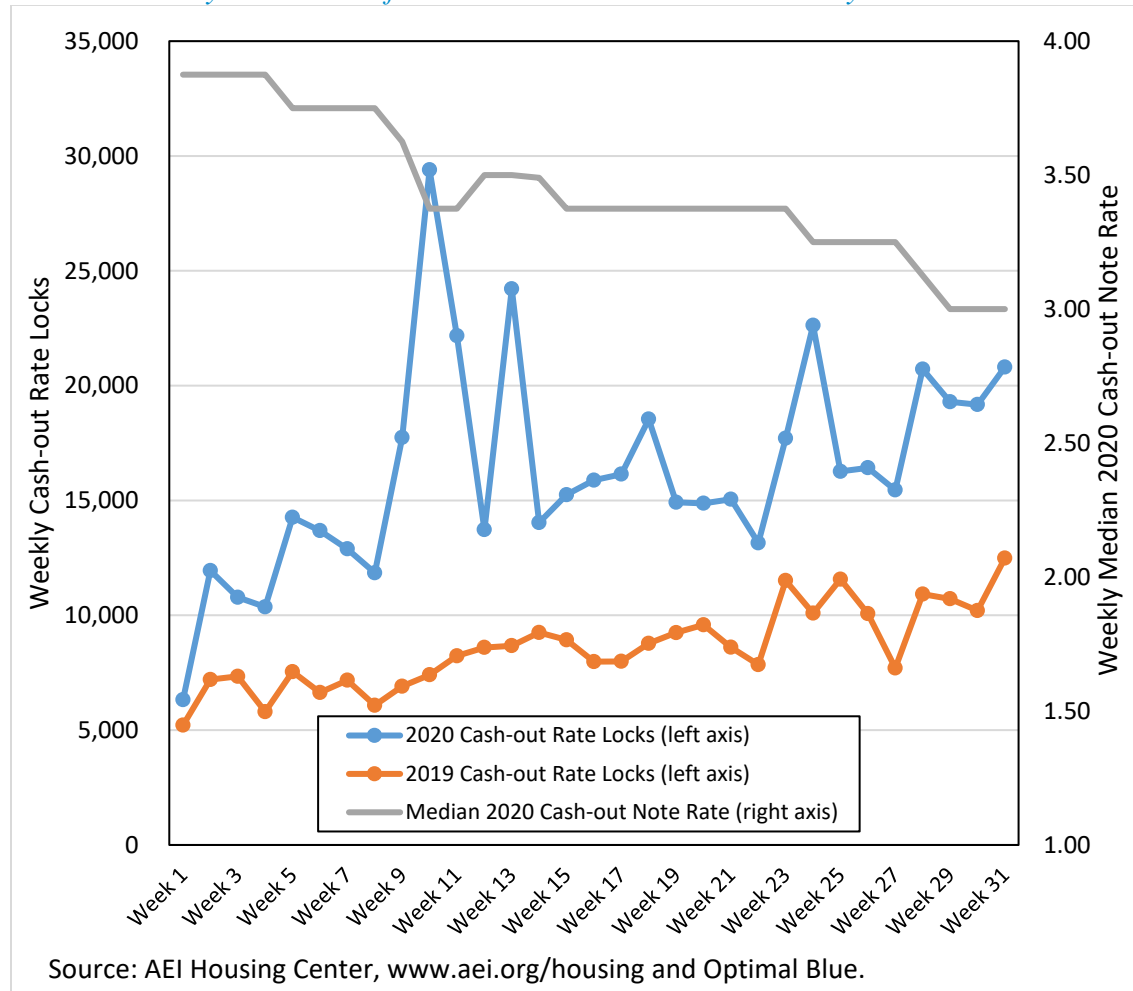
Chart 6: Overall Purchase Rate Lock FICO Distribution



## Cash-out Refinance

Cash-out refinance rate lock activity continues to run well above its 2019 level.

*Chart 7: Weekly Cash-out Refinance Loan Rate Locks and Weekly Median Cash-out Note Rate*





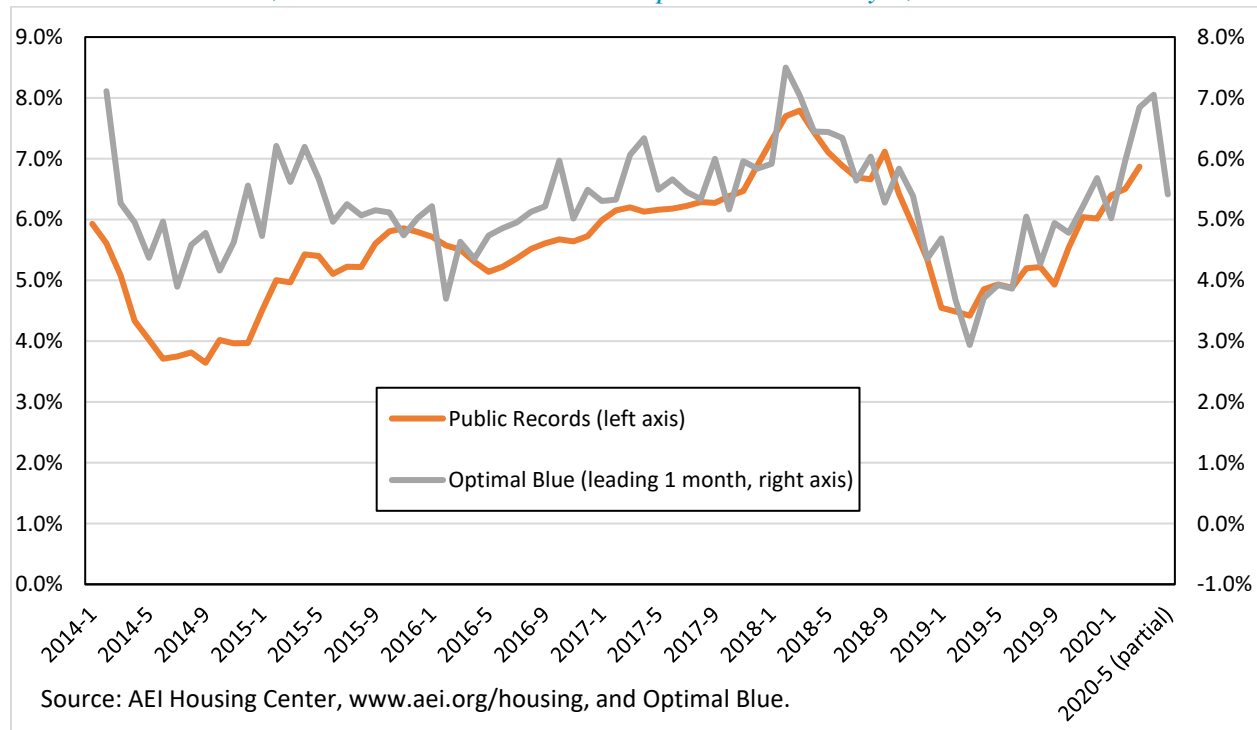
## Appendix: Home Price Appreciation (HPA) Methodology

Based on purchase price estimates from rate lock data and their geographic location, we construct a weekly home price appreciation index. The index estimates an average weekly sale price controlling for location at the ZIP code level.<sup>2</sup> The data are weighted by county, loan type, and year using HMDA data to account for differences in coverage of the Optimal Blue data. For the years for which HMDA data are not yet available, we assume the same weight as for 2018.

This simplified HPA regression index using the Optimal Blue data largely replicates the findings of our constant-quality quasi-repeat sales HPA using Public Records data (see chart A1).<sup>3</sup> Especially for more recent years, the year-over-year trends line up neatly, which may reflect increasing coverage for the Optimal Blue data. The results from the simplified regression index are a bit noisier, which may reflect the limited controls in the regression, and also slightly below the regression using more controls.

The Optimal Blue index also provides a window in the future. The data indicate that the rate of HPA observed from the Public Records will continue to climb for another month, before decelerating abruptly with the onset of the coronavirus pandemic

*Chart A1: Year-over-Year Home Price Appreciation Comparison between Optimal Blue and Public Records data; Purchase Rate Locks – not updated since May 4, 2020*



<sup>2</sup> We exclude sale prices in the bottom and top 1% for each week and county.

<sup>3</sup> For more on the quasi-repeat sales methodology, see [here](#).