Home Prices Remain Near Their Peak, Boosting Single-Family Construction

by: Jordan Rappaport
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New permits to construct single-family homes (blue line) climbed for the third straight month in April, increasing 14 percent from their trough in January. This marks a partial reversal from their collapse during 2022 and reflects the surprising resilience of home prices (green, orange, and purple lines). Although the sharp run-up in interest rates has exerted strong downward pressure on prices, this pressure has thus far been offset by current homeowners’ reluctance to sell and give up their low-rate mortgages. As a result, home builders face less competition and so can maintain high profit margins.

Note: Count of permits and Zillow Home Value Index are through April 2023; S&P Case-Shiller and FHFA indexes are through February 2023. Sources: U.S. Census Bureau, Standard & Poor’s, and Federal Housing Finance Agency (FHFA). All data sources accessed via Haver Analytics.
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Jordan Rappaport is a senior economist at the Federal Reserve Bank of Kansas City. He joined the Bank in 1999 following completing his Ph.D. in economics at Harvard University. Jordan also holds a bachelors’ degree from Brown University, from which he graduated in 1990. Jordan’s research focuses on issues related to local growth. His articles for the Bank's Economic Review primarily focus on U.S. metropolitan area growth and on housing. His empirical research published in peer-reviewed journals has documented the persistence and causes of long run local population growth. His published theoretical research shows that even small costs associated with moving are sufficient to cause high persistence in net population flows and that small productivity and amenity differences can cause very large differences in local population density. Jordan is an associate editor of Regional Science and Urban Economics and the Journal of Regional Science.