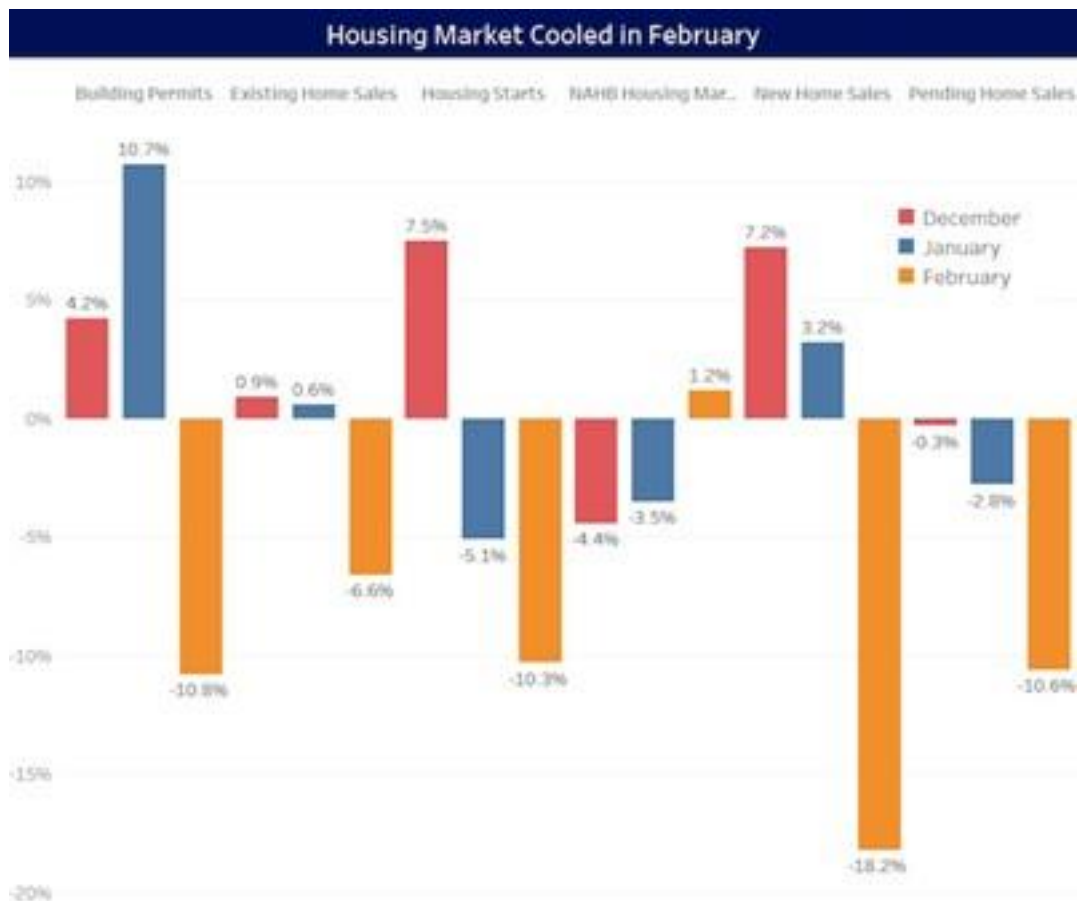


## What Could We See in the Spring Housing Market?

The housing market has been the strongest sector of the economy for much of the pandemic. Severe weather in February seems to have cooled off the market for the time being. Mortgage rates are rising too, which is taking some of the wind out of the market's sail.

**By the numbers:** The latest [S&P CoreLogic Case-Shiller Home Price Index](#) from January showed prices rose 0.8% for the month and more than 11% for the last year. All other measures of the housing market were down.

Housing starts (-10%), building permits (-11%), existing home sales (-7%), new home sales (-18%), and pending home sales (-11%) all tumbled in February, according to the National Association of Homebuilders' Index.



**Why is this happening:** Some of the weakness is relative because of the historically strong numbers that the housing market has put up during the pandemic. But there is no denying the last few months have seen a pullback. The severe weather that plagued the markets in the south and west, which are usually the strongest regions, undoubtedly made the numbers worse. There should be a rebound in March as that weather has passed.

**Looking ahead:** A strong spring market is still likely, but a couple factors could hold it back. Rising mortgage rates could push some buyers out of the market, although rates remain historically low and recent increases have been small. Inventory of homes on the market is similarly historically low. This will keep prices high, pushing other buyers out of the market. The high prices do not seem to be encouraging more owners to sell their homes.

Further increasing the supply tension is the difficulty in building new homes. There is a squeeze on building materials as supply chains have been disrupted by the pandemic. This is driving prices higher, especially of lumber. This is slowing home construction and driving prices higher.

**Learn more:** We recently held an event on how affordable housing is impacting businesses and ways we could get more homes built. You can view it [here](#).

—Curtis Dubay, Senior Economist, U.S. Chamber of Commerce