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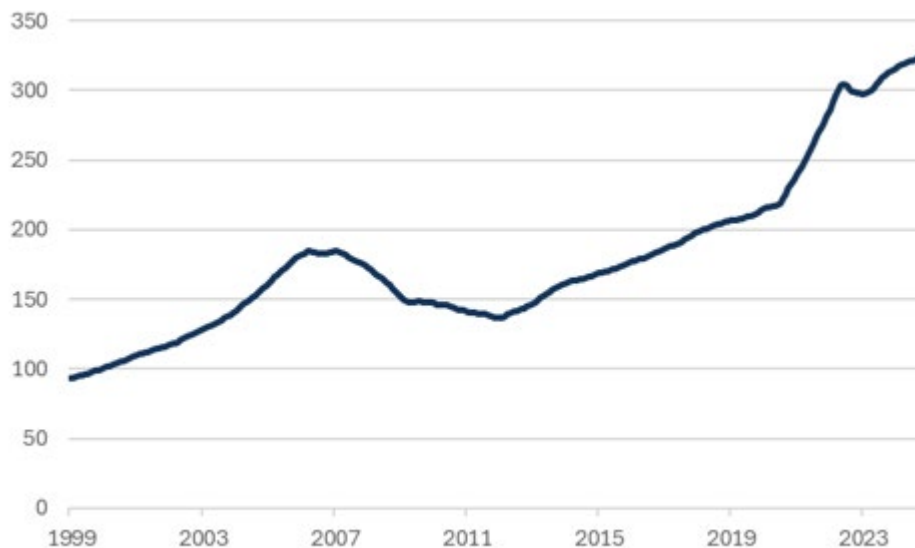
# Weekly Market Commentary

## What's next for US home prices?

**By Michael Crook, Chief Investment Officer**

The Case-Shiller Home Price index, which measures price trends for single-family homes across the US, continues to reach new highs (Fig. 1). While the eye-popping year-over-year appreciation numbers have moderated (Fig. 2), there's little indication that prices are about to head down.

**Fig. 1: Case Shiller Home Price Index**



Source: Bloomberg, Mill Creek.

**Fig 2: Case Shiller Home Price Index, annualized change**

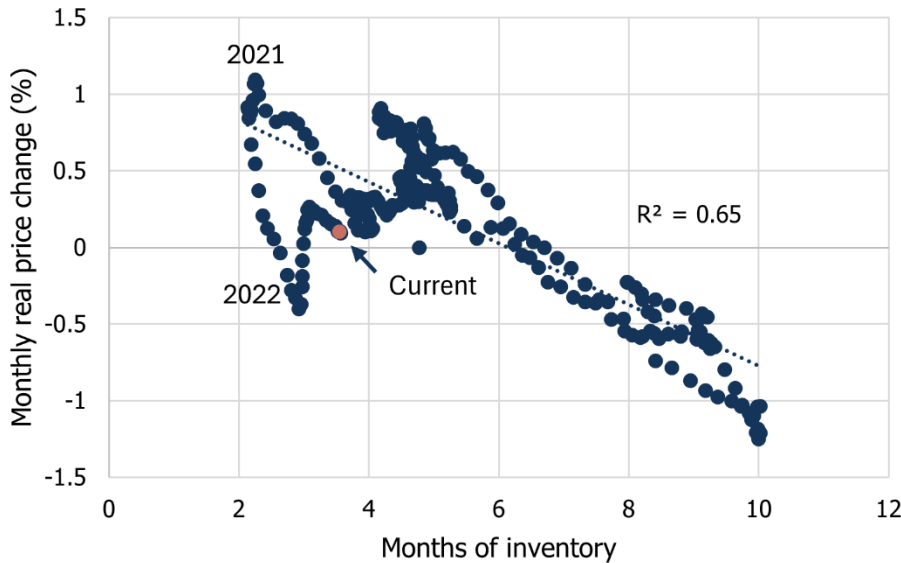


Source: Bloomberg, Mill Creek.

We monitor month-of-inventory as a good indicator of the supply-demand dynamic in single-family housing. Months-of-inventory considers the current inventory of homes for sale as well as the volume of transactions in the market and is a measure of the amount of time it would take to clear the current *for sale* inventory at current volume trends.

Home prices tend to appreciate, in inflation-adjusted terms, when months of inventory is below six months. We're currently just above three months of inventory (Fig. 3). While affordability continues to weigh on housing, we're unlikely to see a meaningful nationwide price downturn unless inventory picks up or transaction volume, which remains subdued, drops further.

**Fig 3: Months-of-inventory and monthly price changes, 12-month rolling average**



Source: Bloomberg, Mill Creek.

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