

The COMPASS Chronicle

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"Morningstar's Best Client Newsletter"

Home Price Growth Returning to a More Sustainable Rate

- ▶ As we predicted in "Is the Housing Recovery Stalling?" which appeared in The COMPASS Chronicle in October 2013, housing price appreciation did moderate in 2014 after jumping in 2013.
- ▶ The current low interest rate environment and strengthening employment picture support a healthy housing market, though price appreciation is not expected to return to 2013 levels.

It is certain that, after a series of fast-paced increases that peaked in late 2013, the rate of home price increases is moderating. As of November, the Case-Shiller Index is showing that home prices are growing at 4.3% year-over-year, which is a much slower rate compared to nearly a 14% pace reported in 2013. The prices recovered about 82% of the previous high, and 14 states are currently either above or close to the previous 2006 peak. Nonetheless, Nevada, Florida, Arizona, and a few other states still remain 20% or more below the peak, and it will certainly take many years for those prices to return to their pre-recession level. On the positive side, slower-growing prices are good news for prospective buyers and for the health of the housing market in general, as they should improve housing affordability, providing an essential boost to this so far anemic housing recovery.

Case-Shiller Home Price Index Annual Change, 3-Month Average



This article contains certain forward-looking statements which involve known and unknown risks, uncertainties, and other factors that may cause the actual results to differ materially from any future results expressed or implied by those projected statements. Past performance does not guarantee future results.

Source: S&P/Case Shiller. Data through November 2014.



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Louis E. Conrad II, CFA
President

lconrad@compassinvest.com
(978) 254-7040
www.compassinvest.com

More about COMPASS Wealth Management, LLC

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