



OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT

NEWS RELEASE

For Immediate Release
Friday, March 5, 1999

Contact: Jill Weide
 (202) 414-3813
 Amy Kostanecki
 (202) 414-8920

Government Announces Home Price Appreciation Rates

U.S. House Prices Increase 4.7 Percent

District of Columbia Continues Along Strong Growth Path

Washington, D.C. - **The Office of Federal Housing Enterprise Oversight (OFHEO) announced today that average U.S. home prices increased by 4.7% from the fourth quarter 1997 to the fourth quarter of 1998.**

OFHEO's House Price Index (HPI) is published on a quarterly basis and tracks average house price changes in repeat sales or refinancings on the same single-family properties. OFHEO's index is based on analysis of data obtained from **over 10.8 million** repeat transactions over the past 20 years.

House prices in the **Pacific Census Division** grew more rapidly than those in any other division over the past year and the past quarter. This increase was driven by strong appreciation rates in **California** and **Washington**. House prices in the **New England Division** also showed healthy growth, led by above-average rates in **Massachusetts, Connecticut and New Hampshire**.

Census Division Rankings (based on % change from 97Q4 to 98Q4)	
Pacific (AK, CA, HI, OR, WA)	7.3%
New England (CT, MA, ME, NH, RI, VT)	6.1%
West South Central (AR, LA, OK, TX)	4.6%
East South Central (AL, KY, MS, TN)	4.4%
West North Central (IA, KS, MN, MO, ND, NE, SD)	4.1%
South Atlantic (DC, DE, FL, GA, MD, NC, SC, VA, WV)	4.0%
Middle Atlantic (NJ, NY, PA)	3.8%
Mountain (AZ, CO, ID, MT, NM, NV, UT, WY)	3.8%
East North Central (IL, IN, MI, OH, WI)	3.7%

Top 6 States (Appreciation Rates 97Q4 –98Q4)	
California	8.7%
Massachusetts	6.9%
District of Columbia	6.3%
New Hampshire	6.2%
Washington	6.0%
Georgia	5.7%

Noteworthy this quarter was D.C.'s strong appreciation rate. D.C. ranked **third** for fourth quarter 1997 through fourth quarter 1998. During the 1990's D.C. house price performance had been generally weak, exhibiting prolonged periods of either decline or negligible growth. Prices in the District have been increasing steadily since third quarter of 1997, with first quarter, 1998 marking the first in which District house prices surpassed their 1992 peak.

Price movements contained in the quarterly HPI are based on sales or refinancings of single-family homes whose mortgages have been purchased or securitized by **Fannie Mae** or **Freddie Mac**. The combined mortgage records of these two government-sponsored enterprises form the **nation's largest database of mortgage transactions**.

The HPI is a *weighted repeat sales* index, meaning that it measures average price changes in repeat sales or refinancings on the same single-family properties. The mortgages measured by the HPI are both *conforming* and *conventional*. *Conforming* refers to a mortgage that both meets the underwriting guidelines of Fannie Mae or Freddie Mac and doesn't exceed the *conforming loan limit*, now \$240,000 for single-family homes. *Conventional* means that the mortgages are neither insured nor guaranteed by the FHA or VA. In 1997, about 90% of conventional mortgages had principal amounts under the conforming limit. In 1996, Fannie Mae and Freddie Mac purchased or securitized roughly 40% of all conventional, single-family mortgage loans originated or refinanced.

OFHEO is the government's financial safety and soundness regulator of Fannie Mae and Freddie Mac. These two government-sponsored enterprises (GSEs) are the nation's largest housing finance institutions. The two GSEs were chartered by Congress to help generate a continuing supply of affordable mortgage credit for homebuyers. They do this through secondary market operations — buying mortgages from primary lenders (commercial banks, thrift institutions and mortgage banks) and either packaging them into mortgage-backed securities for resale to investors or holding the mortgages in their own portfolios.

-0-

NOTE: Division and state rankings reported in the various HPI tables may vary over time due to the following factors: (1) changes in housing values that are observed for holding periods that end with the most recent quarter; (2) differences in Fannie Mae and Freddie Mac purchase patterns that result in changes in the composition of the sample available for analysis; and (3) sampling variability in the estimated index. Each quarter, the beginning and ending points used to calculate the appreciation in housing values are adjusted to the most recently available information. This can result in significant changes in the rankings of states in which the indexes vary from quarter to quarter. Changes in Fannie Mae's and Freddie Mac's purchase patterns occur over longer periods of time, but can also have an impact on the underlying samples. Sampling variability in the estimated indexes is largely a function of the size of the samples that can be obtained from GSE mortgage transactions, particularly for less populous states.

The House Price Index for Fourth Quarter 1998 is available online at <http://www.fhfa.gov/webfiles/1228/4q98webhpi.pdf>.