



**Office of Federal Housing Enterprise Oversight
(OFHEO)**

NEWS RELEASE

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**HOUSE PRICES WEAKEN FURTHER IN MOST RECENT
QUARTER**

First Quarterly Price Decline for U.S. since 1994

Washington, DC – For the first time in nearly thirteen years, U.S. home prices experienced a quarterly decline. The OFHEO House Price Index (HPI), which is based on data from sales and refinance transactions, was **0.4 percent** lower in the third quarter than in the second quarter of 2007. This is similar to the quarterly decline of 0.3 percent (seasonally-adjusted) shown in the purchase-only index. The annual price change, comparing the third quarter of 2007 to the same period last year showed an increase of **1.8 percent**, the lowest four-quarter increase since 1995. OFHEO's purchase-only index, which is based solely on purchase price data, indicates the same rate of appreciation over the last year.

The figures were released today by OFHEO Director James B. Lockhart, as part of the quarterly report analyzing housing price appreciation trends.

"While select markets still maintain robust rates of appreciation, our newest data show price weakening in a very significant portion of the country," said Lockhart. "Indeed, in the third quarter, more than 20 states experienced price declines and, in some cases, those declines are substantial."

Many of the cities and states experiencing the sharpest declines this quarter were the same cities and states experiencing the sharpest increases just a couple of years ago, suggesting some

price corrections in those markets.

Nationally, house prices grew at the same rate over the past year as did prices of non-housing goods and services reflected in the Consumer Price Index. House prices and prices of other goods and services both rose 1.8 percent.

"Rising inventories of for-sale properties are clearly having a material impact on home prices," said OFHEO Chief Economist Patrick Lawler. "Until those inventories shrink, that will be a great source of resistance to price increases."

It should be noted that the annual growth rate of 1.8 percent is significantly different from other indexes, which are showing depreciation. The OFHEO index weights sales prices differently than other measures, incorporates data from a wider geographic area, and is focused on homes with conventional, conforming loans. A more thorough discussion of differences can be found in "[A Note on the Differences between the OFHEO and the S&P/Case-Shiller House Price Indexes.](#)"

Significant HPI Findings:

Highest and Lowest Appreciation :

1. Ten states saw price declines over the latest four quarters, the greatest number of declines since the 1996-97 period. Twenty-one states saw price declines in the latest quarter.
2. The states with the greatest rates of appreciation between the third quarter of 2006 and the third quarter of 2007 were: Utah (12.9%), Wyoming (11.8%), Montana (7.7%), New Mexico (7.4%), and Washington (7.0%). The states with the largest depreciation for the same period were: Michigan (-3.7%), California (-3.6%), Nevada (-2.4%), Massachusetts (-2.3%), and Rhode Island (-2.2%).
3. For the third consecutive quarter, Wenatchee, Washington exhibited the highest four-quarter appreciation among the 287 Metropolitan Statistical Areas (MSAs) on OFHEO's list of "ranked" cities. Annual appreciation in Wenatchee was 15.7 percent.
4. Other MSAs with the greatest appreciation between the third

quarter of 2006 and the third quarter of 2007 were: Provo-Orem, Utah (14.4%), Grand Junction, Colorado (14.1%) and Ogden-Clearfield, Utah (14.0%). The MSAs with the largest depreciation for the same period were: Merced, California (-13.0%), Punta Gorda, Florida (-11.8%) and Santa Barbara-Santa Maria-Goleta, CA (-11.6%).

State and MSA appreciation rates can be found on pages 18-19 and 31-52.

Other Notable Results :

1. Of the 287 cities on OFHEO's list of "ranked" MSAs, 204 had positive four-quarter appreciation and 83 had price declines.

2. Seventeen of the 20 cities having the most depreciation were in Florida and California. The other three were in Michigan.

3. For the fifth consecutive quarter, Utah's four-quarter appreciation rate exceeded rates in all other states. At 12.9 percent, price appreciation in Utah was more than a percentage point higher than the four-quarter appreciation in Wyoming—the state with the second highest rate.

4. Twenty-four of the 26 California cities on the ranked list experienced price declines between the third quarter of 2006 and the third quarter of 2007. Thirteen of the 24 evidenced price declines of 5 percent or more.

Purchase-Only Index

An index using only purchase price data indicates the same price appreciation for the U.S. over the latest four-quarters as the standard, all-transactions index. Both indexes estimated 1.8 percent price appreciation between the third quarter of 2006 and the third quarter of 2007. The purchase-only index fell 0.3 percent (seasonally-adjusted) between the second quarter of 2007 and the third quarter of 2007, compared with a 0.4 percent price decline for the HPI. The difference between the two price measures may reflect differences in the types of homes refinanced versus those purchased valuations or different proportions of appraisal and sales price data.

For specific Census Divisions and states, the all-transactions

and purchase-only indexes sometimes estimate significantly different price changes. This quarter's purchase-only indexes estimate particularly sharp price declines in states with the weakest housing markets, including California (7.2 percent four-quarter price decline) and Michigan (7.1 percent four-quarter price decline). A short comparison of the purchase-only and all-transactions indexes can be found in the first part of the "Highlights" section on pages 8-10.

Highlights

This period's HPI release also includes an analysis of the relationship between home prices and foreclosure activity. The article, which can be found on pages 11-17, discusses how the two are related and compares appreciation rates for high and low foreclosure areas.

Background

OFHEO's House Price Index is published on a quarterly basis and tracks average house price changes in repeat sales or refinancings of the same single-family properties. OFHEO's index is based on analysis of data obtained from Fannie Mae and Freddie Mac from more than 33 million repeat transactions over the past 32 years. The more limited "purchase-only" index is based on more than five million transactions.

OFHEO analyzes the combined mortgage records of Fannie Mae and Freddie Mac, which form the nation's largest database of conventional, conforming mortgages. The conforming loan limit for mortgages purchased in 2006 and 2007 is \$417,000.

This HPI report contains four tables: 1) A ranking of the 50 States and Washington, D.C. by House Price Appreciation; 2) Percentage Changes in House Price Appreciation by Census Division; 3) A ranking of 287 MSAs and Metropolitan Divisions by House Price Appreciation; and 4) A list of one-year and five-year House Price Appreciation rates for MSAs not ranked.

The full PDF of this report is available at: <http://www.fhfa.gov/webfiles/1174/3q07hpi.pdf>. Also, be sure to visit www.FHFA.gov to use the OFHEO House Price calculator. Please e-mail FHFAinfo@FHFA.gov for a printed copy of the

report. The next HPI report will be posted February 26, 2008.

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OFHEO's mission is to promote housing and a strong national housing finance system by ensuring the safety and soundness of Fannie Mae and Freddie Mac.