Property pricing trends are down (after adjusting for inflation) in 10 of the nation's largest 100 cities since 2000.

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Click here Top 100 US Housing Markets Prices (Inflation Adjusted) to view the latest version of this index. This index is part of the Beracha and Johnson Real Estate Initiative.

Story/Piece/Findings

Society has long stressed homeownership as the magic bullet for wealth creation for the average U.S. household. If inflation, however, were removed from actual home prices, would homeownership still produce wealth?

Reviewing data from the Top 100 US Housing Markets Prices (Inflation Adjusted) produces a mixed result. After examining all measured housing markets, property pricing trends are increasing in 90 of these markets implying average wealth accumulation from ownership is increasing as real property values increase even after adjusting for inflation. This leaves 10 markets, however, in which the trends for home values are negative.

After adjusting for inflation and using the year 2000 as a base, property pricing trends have been down over the last 25 years for the typical home in these 10 metros:

Metro	Percentage Decrease Since January 2000
Bridgeport, CT	14.3%
Chicago, IL	12.9%
New Haven, CT	11.4%
Cleveland, OH	11.4%
Hartford, CT	8.2%

Baton Rouge, LA	5.5%
Akron, OH	4.5%
Detroit, MI	2.7%
New Orleans, LA	2.4%
St. Louis, MO	0.5%

These are the 10 metros with decreasing pricing trends and each metro's cumulative decrease since January 2000. Declining pricing trends in home values indicate that ownership can, at times, be wealth-destroying.

This means the adage of "why rent when you can own" in these metros might not always be correct.

Author Insights:

"It is very difficult to determine the exact cause for the decline in the property pricing trend in each of these markets. However, urban decline, economic instability, and limited population growth all seem to be logical culprits."

"The good news is that 90 cities all experienced positive growth in the value of the typical home, implying some wealth accumulation from homeownership during this period."

"Clearly, without adjusting for inflation, it is difficult to determine if homeownership actually creates real wealth."

"Examining the graph for each city will reveal if the local pricing trend is negative (a downward sloping) or positive (an upward sloping pricing trend). If the Inflation Adjusted Expected Price (black line) is downward sloping, there is significant downward pressure on home values. If the Inflation Adjusted Expected Price (black line) is upward sloping, there is significant upward pressure on home values. Regardless of the slope (negative or positive), home prices should reasonably be expected to revert to their market's pricing trend in time unless a significant change has occurred in that market's fundamentals."

Index Features: Top 100 US Housing Markets Prices (Inflation Adjusted)

- ➢ Updated monthly – typically between the 15th and the end of month.
- ➢ All graphs are interactive.

- ➢ Tracks inflation adjusted home prices in 100 of the nation's largest housing markets, which allows for a better understanding of the performance of housing as an asset.
- ➢ The base year for the inflation adjustment is 2000.
- ➢ Inflation adjustments employ Bureau of Labor Statistics inflation data.
- ➢ Property pricing data (not inflation adjusted) and other information provided via a number of third party information providers – Zillow, Redfin, Homes.com, Realtor.com, FHFA, etc.
- ➢ Statistics:
  - Provides a property pricing trend estimate (Inflation Adjusted Expected Price) for each measured housing market (black line in graphs).
  - Provides a Premium or Discount measure for each metro, each month for the measured housing markets.
    - Premium is the positive percentage difference between Inflation Adjusted Average/HPI Price (red line in graphs) and the statistically estimated property pricing trend or the Inflation Adjusted Expected Price (black line in graphs) for each metro, each month for the measured markets.
    - Discount is the negative percentage difference between Inflation Adjusted Average/HPI Price (red line in graphs) and the statistically estimated property pricing trend or the Inflation Adjusted Expected Price (black line in graphs) for each metro, each month for the measured markets.
    - Interpretation:
      - When the red line is above the black line, markets are trading at a premium, i.e., properties are trading above where they should otherwise be based on past transactions.
      - When the red line is below the black line, markets are trading at a discount, i.e. properties are trading below where they should otherwise be based on past transactions.
  - Provides interactive graphs for each market along with actual number estimates for each metro, for each month.
  - Provides other information -- property appreciation rates and property returns can be calculated from the data as well, for example.

Have fun with the data. Let your investigative mind wonder.