Maryland Home Prices for All-Transactions Continue to Rise

Home prices in Maryland increased by 3.7 percent in the second quarter of 2021 according to the Federal Housing Finance Agency's (FHFA) All-Transaction House Price Index (HPI), the twenty-ninth consecutive quarter-over-quarter gain (See Table 3). The HPI tracks average price changes among existing single-family homes that were either purchased or refinanced with conforming mortgage loans, rising prices and strong demand for housing may be attributed to low interest rates, an improving job market, and a relatively tight housing supply.

FINDINGS

- Nationally, home prices rose at an inflation-adjusted 5.4 percent in 2021Q2. This is thirty consecutive quarters of price increases. Maryland home prices increased 3.7 percent—1.7 percentage points lower than home prices nationally. (See Table 3).

- In Maryland, single-family home prices are close to where they were in 2004:Q3 (See Chart 1). Nationally, single-family home prices are where they were in 2006:Q4

- Single-family home prices, in Maryland, peaked in 2006:Q4—a cumulative 97.3 percent increase. This cumulative increase is measured from 1995:Q1, the starting point for the Home Price Index, to the price peak.) When the current quarter is compared to the peak quarter, Maryland home prices declined 20.6 percent (See Chart 2).

- The downtrend in home prices-- for both the state and the country—follows a peak in 2006:Q4. Inflation-adjusted home prices in the state remain below 2006:Q4 levels; nation-wide, home prices in 2020:Q4 eclipsed the pre-recession peak and reached an all-time high in 2021:Q2, a cumulative 64.8 percent increase. Maryland home prices, for the same quarter, increased a cumulative 56.7 percent (See Table 3).

- To illustrate the effects of the rise and fall of housing prices over time: a theoretical $150,000 house in Maryland in 1995:Q1 would have risen in value to $295,950 at the peak period of 2006:Q4 and fallen to $191,180 at its lowest point in 2012:Q2, a -35.4 percent decline from the peak. By 2021:Q2, that house value would have improved to $234,980, or 18.6 percent above its lowest point, but remain 20.6percent below its peak value. (See Chart 4).

- Similarly for the U.S., the $150,000 house in 1995:Q1 would have risen in value to $238,360 at its peak in 2006:Q4 and would have fallen in value to $166,900 at its low point in 2012:Q2, a -

30.0 percent decline from the peak. By 2021:Q2 the inflation-adjusted price of that house would have improved to $247,190, 30.0 percent above its lowest point, and 3.7 percent above the pre-recession peak value in 2006:Q4.

About GSE Conforming Mortgage Loans

Both the Purchase Only House Price Index (HPI) and the All-Transactions House Price Index are calculated from information gathered from the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). Both Fannie Mae and Freddie Mac are government-sponsored enterprises (GSEs). GSE's are limited by law as to the value of the mortgages that they can purchase from mortgage originators (such as banks and other mortgage lenders. Congress sets the rules that GSE's must follow for purchase of mortgages. In most of the U.S., the 2021 maximum conforming loan limit (CLL) for one-unit properties will be $548,250, an increase from $510,400 in 2020.

Other types of mortgages are not included in the HPI calculation. Single-family homes financed by government insured loans (such as VA loans) and those financed by mortgages whose value exceeds the conforming loan threshold (known as jumbo loans) are not included in the HPI. Also, because the HPI only measures single family units, loans for attached homes, townhomes and condominiums are excluded whether these loans are conforming or not.

Obtaining a conforming loan can be problematic in areas with expensive housing, as even a modest single-family house may require a mortgage that is too large to conform to GSE regulations. In 2008, the FHFA recognized this issue and implemented different maximum levels for "high-cost" counties across the United States.[1] Previously, the only deviations from the national conforming loan limit were for high costs states like Alaska and Hawaii. Current 2021 conforming loan limits for Maryland jurisdictions are listed below.

Maximum Loan Limits for Loans Acquired in Calendar Year 2021

Metropolitan Statistical Area / Jurisdiction	Conforming Loan Limit
Baltimore-Columbia-Towson (Metropolitan Area) Component Jurisdictions: Anne Arundel, Baltimore, Carroll, Harford, Howard, and Queen Anne's Counties, Baltimore City	$548,250
Washington-Arlington-Alexandria, DC-VA-MD-WV (Metropolitan Area) Component Jurisdictions (MD): Calvert, Charles, Frederick, Montgomery, and Prince George's Counties	$822,375
All Other Jurisdictions	$548,250

Source: Federal Home Finance Agency 2021

[1] The conforming loan limit in "general" across counties in the lower 48 states has been $417,000 since 2006. Before 2008, no conforming mortgage in any county in the lower 48 states could exceed this value.

About the FHFA's All Transactions House Price Index (HPI)

The All-Transactions House Price Index (HPI) is a data series formerly published by the Office of Housing Enterprise Oversight (OFHEO) and now published by the Federal Housing Finance Agency (FHFA), a government agency responsible for overseeing the actions of the Federal National Mortgage Association (FNMA), commonly known as Fannie Mae, and the Federal Home Loan Mortgage Corporation (FHLMC), commonly known as Freddie Mac.[2] According to the FHFA, "The HPI for each geographic area is estimated using repeated observations of housing prices for individual single-family residential properties on which at least two mortgages were originated and subsequently purchased by either Freddie Mac or Fannie Mae since January 1975."[3] Data from these two sources cover 40 percent of all mortgages issued in the U.S. Restricting the index to existing housing sales helps to control for the effect that differing housing types and characteristics might have on the data.[4] To remove the effects that inflation has on home prices, the HPI was adjusted for inflation using the Bureau of Labor Statistics' Consumer Price Index "All Items Less Shelter" series.[5]

As this data is published for states and many Metropolitan Statistical Areas (MSAs) within the U.S., it is useful for tracking housing price trends at the state and local level. One limitation with this data set is that it only tracks single-family detached housing which comprises 51.6 percent of all housing units in Maryland (for the nation single-family units are about 61.6 percent of all housing units). The FHFA dataset does not capture the price effects that newly built homes may have on the housing market. The FHFA indexes measure the price effects of existing homes, homes that have been sold and resold. Despite its restrictions, the HPI is useful as it supplies consistent data across the U.S. for tracking home price appreciation trends over a 46-year period.

Number of Housing Units by Units in Structure, Maryland, 1-Year 2019 Estimate

Source: American Community Survey, 1-year Estimates, 2019

	Estimate	Margin of Error
Total:	2,470,307	+/-296
1 unit, detached	1,265,441	+/-10,470
1 unit, attached	517,506	+/-10,239
2 units	36,577	+/-3,211
3 or 4 units	52,225	+/-4,125
5 to 9 units	120,814	+/-6516
10 to 19 units	201,758	+/-8,084
20 or more units	239,817	+/-7,710
Mobile home	35,770	+/-3,358
Boat, RV, van, etc.	399	+/-279

[2] The Federal Housing Finance Agency (FHFA) was created on 30th July 2008 through a legislative merger of the Office of Federal Housing Enterprise Oversight (OFHEO), the Federal Housing Finance Board (FHFB) and the U.S. Department of Housing and Urban Development's (HUD) government-sponsored enterprise (GSE) mission team. FHFA regulates Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks.

[3] https://www.fhfa.gov/DataTools/Downloads/Pages/House-Price-Index.aspx

[4] For more information, see https://www.fhfa.gov/PolicyProgramsResearch/Research/Pages/HPI-Technical-Description.aspx

[5] Adjusted using series ID# CUUR0000SA0L2 as described in question 17 of the HPI FAQ, available at http://www.fhfa.gov/Media/PublicAffairs/Pages/Housing-Price-Index-Frequently-Asked-Questions.aspx.

Source: 2019 American Community Survey 1-Year Estimates

Similar to the FHFA Home Price Index is the S&P/Case-Shiller® Home Price Indices published by Standard & Poor's. There are four major differences between the S&P/Case-Shiller® Index and FHFA's All Transactions Home Price Index. First, S&P/Case-Shiller® uses only purchase prices to calibrate their index, while FHFA's All Transactions HPI uses both purchase prices and refinance appraisals.[6] Second, S&P/Case-Shiller uses selling prices recorded at county assessor's and recorder's offices, while FHFA uses data from conforming, conventional mortgages provided by Fannie Mae and Freddie Mac. Third, S&P/Case-Shiller® "value-weights" its index, meaning that more expensive homes have more influence on the index, while FHFA weights all home prices equally. Finally, S&P/Case-Shiller® does not cover 13 states, while FHFA data covers all 50 states. The FHFA created a detailed report that covers the similarities and differences between the two indexes, available at https://www.fhfa.gov/PolicyProgramsResearch/Research/PaperDocuments/20080115_RP_RevisitingDifferencesOFHEOSPCaseShillerHPI_N508.pdf

[6] FHFA has a separate index, the Purchase Only HPI, that uses only purchase price data. That index is discussed in the report *The House Price Index (HPI) for Purchase-Only Conventional Mortgage Transactions in Maryland, 1995 – 2020*, also on this website.