



Source: Federal Housing Finance Agency, MBA Weekly Applications Survey & Builder Applications Survey

Home price appreciation continued to accelerate in the second quarter of 2021, driven by robust housing demand, which continues to outpace the supply of homes for sale. Some prospective home buyers have taken out larger loans, while others, such as first-time homebuyers or those looking for less expensive homes, have been priced out of the market.

This week's chart compares home price trends with average mortgage application loan sizes. The FHFA's second quarter 2021 house price index data, the most recent report available, showed that home prices in June rose 18.8 percent compared to June 2020, while for the second quarter, the annual growth rate was 17.4%. Both measures set new records for annual price growth. The demand-supply imbalance existed before the pandemic but was exacerbated as housing preferences shifted toward homes more suited for remote work. Supply was also hindered as the home building industry faced higher costs and delays from their suppliers for inputs. Construction labor shortages have also become a challenge in recent months, as BLS data showed vacant job openings rising again.

MBA's Weekly Applications Survey data showed that the average loan size for home purchase applications overall (both existing and new home purchases) was \$401,000 in July 2021, up 10% from \$363,000 in July 2020. Digging deeper into the data, we found that volume growth in the higher loan size categories (for loans greater than \$300,000) continued to outpace growth in the lower loan sizes over the past year. Additionally, the share of purchase applications for loans over \$300,000 grew from around 44% to 50% in July 2021 over the 12-month period.

Similarly, for purchase applications on new homes based on data from the Builder Applications Survey, the average loan size was \$402,000 in July, a 16% annual increase. The share of applications with a loan size greater than \$300,000 went from 56% in July 2020 to 72% in July 2021.

While challenges to replenishing the housing supply will persist for the months ahead, an increasing number of younger households approaching homeownership age will support growth over the next few years. We expect that supply will eventually grow enough to help moderate the rapid pace of home price growth as home builders see supply chain bottlenecks ease and existing homeowners start to list more homes for sale.