

Maryland Home Values Rise in Second Quarter of 2021

Maryland's home prices in 2021:Q2 rose by 8.2 percent over prices in 2020:Q2. This is the twenty-seventh quarter-over-quarter increase (that is an increase over the same quarter in the previous year). This information is based on the Federal Housing Finance Agency's (FHFA) Purchase Only Housing Price Index (HPI), which measures average price changes in repeat sales of single-family houses¹

FINDINGS:

- Nationally, in 2021:Q2 home prices rose an inflation-adjusted 10.6 percent compared to the same quarter in the previous year, 2020:Q2. The second quarter of 2021 marks the thirty-sixth consecutive quarter-over-quarter increase: U.S. prices rising since 2012:Q2 ([See Table 1](#)).
- Nationally, quarterly home prices have increased at a faster pace than in Maryland ([See Chart 1](#)).
- Maryland home prices increased a cumulative 77.7 percent by 2021:Q2 compared to U.S. home prices which increased a cumulative 81.4 percent at the same time. (A cumulative increase is measured from the starting analysis period of 1995:Q1).
- Maryland's inflation-adjusted home prices peaked in 2007:Q1 but fell to its lowest point by 2012:Q1. While Maryland home prices have recovered, they remain 11.6 percent below peak.
- 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 \$301,407 at the peak period of 2007:Q1 and fallen to \$12,497, a 36.1 percent decline, at its lowest point in 2012:Q1. By 2021:Q2, that house would have improved to \$266,591-- 38.5 percent above its lowest point, but still 11.6 percent below its peak value. ([See Chart 4](#)).
- The impact of the Great Recession on inflation-adjusted home prices, nationally, was twenty-one successive quarters of decline—from 2007:Q1 to 2012:Q1. Between 2012:Q1 and 2021:Q2, U.S. home prices increased 64.6 percent. The second quarter of 2021 marks the high point for U.S. home prices.
- Nationally, if a house were priced at \$150,000 in 1995:Q1, it would have risen in value to \$232,996 in 2006:Q4 and would have fallen in value to \$160,592, a 31.1 percent decline at its lowest point in 2012:Q1. This house, by 2021:Q2, would have increased to \$272,136-- 69.5 percent above its lowest point.

¹ This data tracks the valuation of existing single-family homes over time for which two mortgages used to purchase a home were originated and subsequently purchased by Freddie Mac or Fannie Mae since 1991. According to the FHFA, "Fannie Mae and Freddie Mac are restricted by law to purchasing single-family mortgages with origination balances below a specific amount, known as the "conforming loan limit." Loans above this limit are known as jumbo loans." Conforming loans are the only loans tracked by the House Price Index. See page 7 for more information.

About the FHFA's Purchase Only House Price Index (HPI)

The Purchase Only House Price Index (HPI) is a data series 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. According to the FHFA, "The HPI for each geographic area is estimated using repeated observations of housing values 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."² Data from these two sources cover 40 percent of all mortgages issued in the United States. Restricting the index to existing housing sales helps to control for the effect that differing housing types and characteristics might have on the data. 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. Unlike the All-Transactions HPI, the Purchase Only HPI is based on mortgage data used to purchase an existing home. (Mortgages used to refinance existing homes are excluded from the Purchase Only HPI. The Purchase Only HPI goes back to 1991 not 1975.

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

	Maryland	
	Estimate	Margin of Error
Total:	2,449,123	+/-302
1 unit, detached	1,254,425	+/-10,380
1 unit, attached	527,114	+/-10,575
2 units	35,560	+/-3,316
3 or 4 units	51,684	+/-3,836
5 to 9 units	130,110	+/-5,991
10 to 19 units	192,247	+/-6,060
20 or more units	220,923	+/-6,494
Mobile home	36,318	+/-3,071
Boat, RV, van, etc.	742	+/-410

Source: 2017 American Community Survey 1-Year Estimates

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 in Maryland comprises 51.6 percent of all housing units (61.6 percent in the U.S. as a whole). The FHFA dataset also 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 sales price appreciation trends over a 30-year period.

² <https://www.fhfa.gov/DataTools/Downloads/Pages/House-Price-Index.aspx>

This data set is also related to, but is not the same as, the S&P/Case-Shiller® Home Price Indices published by Standard & Poor's. There are three major differences between the S&P/Case-Shiller® Index and FHFA's Purchase Only Home Price Index. First, 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. Second, 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