

## Highlights

### **House Prices Take Off – Almost Everywhere**

After a period of moderating price growth, house prices increased dramatically in the fourth quarter of 2003. In the United States, as a whole, prices increased 3.67 percent, which represents a 2.08 percentage point increase in appreciation rates over the third quarter. In contrast, prices have been more stable in the last two years. For example, appreciation rates have been above 2 percent only twice in the last three years, and dropped as low as 1.18 percent in second quarter of 2003.

This acceleration in price appreciation is widespread. In fact, in all but two states house price appreciation rates increased in the fourth quarter. The biggest increases occurred in Vermont, New York, and the District of Columbia and the lowest in South Dakota, Utah, and Alabama. Even states that have been lagging the nation as a whole, such as Colorado which was the 50<sup>th</sup> ranked state last quarter, experienced a substantial acceleration in house price growth. For example, appreciation rates increased by 0.88 percentage points from a 0.50 last quarter to 1.38 in the fourth quarter. In addition, out of the ranked metropolitan areas only three experienced declining house prices (Hickory-Morganton-Lenoir, NC; Greeley, CO; and Montgomery, AL). House price appreciation reached 7.69 percent in Atlantic City-Cape May, NJ and was over 7 percent in 7 other metropolitan areas (Ventura, CA; Riverside-San Bernardino, CA; Fresno, CA; Dutchess County, NY; Fort Pierce-Port St. Lucie, FL; Los Angeles-Long Beach, CA; and Chico-Paradise, CA).

In almost all areas, the rapid increase in prices this quarter comes after a period of moderating price appreciation patterns. For example, in the West North Central states, last quarter's price jump of 12.17 at an annual rate followed smaller increases of 5.67 percent during the preceding year and 6.20 percent in the year before that. The same pattern occurred in every Census division. For example, in New England last quarters jump was 18.95 percent at an annual rate following slower increases of 7.67 percent and 11.42 percent in the previous two years.

What explains the increasing rates of appreciation across almost all of the country? The apparent cause is simply that the economy is moving out a recession and experiencing the effects of continued low interest rates.

The economy grew very rapidly in the third quarter. At the same time, the Federal Reserve has continued to hold interest rates at historically low levels. This has helped to keep the cost of borrowing low. Mortgage interest rates fell to historic lows in the spring, and after an increase in the summer, eased lower. Some borrowers may have viewed the decline as the last chance to take advantage before anticipated rate increases.

## Quarterly Percent Growth in House Prices

State	4th Quarter	3rd Quarter	Change
<b>US</b>	<b>3.67</b>	<b>1.58</b>	<b>2.08</b>
Vermont, (VT)	6.73	2.15	4.58
New York, (NY)	5.51	0.94	4.57
District of Columbia, (DC)	6.63	2.27	4.36
Nevada, (NV)	5.73	2.23	3.50
California, (CA)	6.28	2.98	3.30
Rhode Island, (RI)	6.83	3.70	3.13
Hawaii, (HI)	5.35	2.23	3.12
Maryland, (MD)	5.73	2.68	3.05
Massachusetts, (MA)	4.66	1.72	2.94
Florida, (FL)	4.82	1.95	2.87
New Jersey, (NJ)	5.51	2.78	2.73
North Dakota, (ND)	3.68	1.18	2.50
Arizona, (AZ)	3.79	1.33	2.46
West Virginia, (WV)	3.65	1.36	2.29
New Hampshire, (NH)	4.56	2.32	2.24
Virginia, (VA)	4.32	2.08	2.24
Connecticut, (CT)	4.26	2.09	2.17
Illinois, (IL)	3.30	1.24	2.06
Minnesota, (MN)	4.13	2.18	1.95
Delaware, (DE)	4.09	2.20	1.89
Maine, (ME)	4.61	2.78	1.83
Missouri, (MO)	2.97	1.17	1.80
Oregon, (OR)	3.11	1.37	1.74
Alaska, (AK)	3.94	2.33	1.61
Washington, (WA)	2.62	1.08	1.54
Pennsylvania, (PA)	3.45	1.97	1.48
Kentucky, (KY)	2.17	0.78	1.39
Iowa, (IA)	2.60	1.27	1.33
New Mexico, (NM)	2.63	1.33	1.30
Montana, (MT)	3.35	2.07	1.28
Louisiana, (LA)	2.18	0.92	1.26
Kansas, (KS)	1.94	0.78	1.16
Nebraska, (NE)	2.20	1.04	1.16
Mississippi, (MS)	1.65	0.55	1.10
Georgia, (GA)	1.64	0.58	1.06
Ohio, (OH)	1.87	0.85	1.02
North Carolina, (NC)	1.48	0.47	1.01
Michigan, (MI)	1.84	0.85	0.99
Tennessee, (TN)	1.60	0.64	0.96
Colorado, (CO)	1.38	0.50	0.88
Indiana, (IN)	1.54	0.66	0.88
South Carolina, (SC)	1.48	0.68	0.80
Oklahoma, (OK)	1.49	0.72	0.77
Idaho, (ID)	1.55	0.84	0.71
Texas, (TX)	1.10	0.41	0.69
Wisconsin, (WI)	2.07	1.38	0.69
Wyoming, (WY)	2.29	1.67	0.62
Arkansas, (AR)	1.90	1.31	0.59
South Dakota, (SD)	2.44	1.89	0.55
Utah, (UT)	0.42	0.46	-0.04
Alabama, (AL)	0.67	0.79	-0.12