

More Slow Home Price Growth Ahead

A little more than six months ago there were narratives circulating that national housing prices were in an even bigger bubble than the one twenty years ago and headed for an “inevitable” collapse. Given that national home prices dropped about 27% from peak to bottom in the last housing bust, that would be something to worry about.

But we pushed back against this theory and, so far, a collapse in home prices hasn’t happened. National home prices declined 0.2% in March according to the Case-Shiller index, but rose 0.1% according to the FHFA index. In the past year, home prices are up 0.7% and 1.7%, respectively, according to these two widely-used measures. In other words, no collapse.

Instead, what we have is a very slow upward trend. Notably, home prices are climbing slower than general price inflation and at the slowest rate since the bottom of the housing bust in 2012.

Some might claim this is due to higher mortgage rates, but that doesn’t make sense. Mortgage rates were higher back in 2023-24 when home price growth was faster.

What has changed, and what we think are the keys behind slower home price appreciation, is that the growth rate of the money supply has remained slower than the pre-COVID trend and a huge shift in immigration policy that started in early 2025, when the US went from admitting 2.7 million net new immigrants per year to roughly zero, on net.

The sudden lurch to much lower immigration has meant more rental units are available than would otherwise have been the case, likely surprising many landlords. Zillow’s observed rent index is up only 1.9% from a year ago and rent growth has lagged general price inflation by the most in at least the past decade.

In turn, less upward pressure on rents means renters are less motivated to buy a home. Which suggests that as long as the new stricter immigration policy remains in place slow growth in home prices should continue.

Many homeowners may not like this side effect of the immigration shift – less rapid price appreciation – but both renters as well as homeowners who plan to move up the housing value-chain in the future should be happy. It makes their future purchases more affordable.

As such, one way to think of the shift in immigration policy is as a *passive* redistribution scheme that tends to help people who are younger and less wealthy (and who rent), at the expense of people who are older and more wealthy (and who own), but without needing the government to directly raise taxes and spend money on social programs.

We wish that the politicians who want to *actively* redistribute wealth by raising taxes and increasing government spending would take this as a win for their side, but we’ve seen no sign of this yet.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
6-1 / 9:00 am	ISM Index – May	53.0	53.3	54.0	52.7
9:00 am	Construction Spending – Apr	+0.2%	+0.2%	+0.4%	+0.2%
6-2 / afternoon	Total Car/Truck Sales – May	16.1 Mil	16.1 Mil		15.9 Mil
6-3 / 9:00 am	ISM Non Mfg Index – May	53.8	53.7		53.6
9:00 am	Factory Orders – Apr	+4.5%	+4.6%		+1.5%
6-4 / 7:30 am	Initial Claims – May 30	213K	212K		215K
7:30 am	Q1 Nonfarm Productivity	+0.5%	+0.3%		+0.8%
7:30 am	Q1 Unit Labor Costs	+2.5%	+1.9%		+2.3%
6-5 / 7:30 am	Non-Farm Payrolls – May	85K	57K		115K
7:30 am	Private Payrolls – May	86K	64K		123K
7:30 am	Manufacturing Payrolls – May	2K	-1K		-2K
7:30 am	Unemployment Rate – May	4.3%	4.3%		4.3%
7:30 am	Average Hourly Earnings – May	+0.3%	+0.3%		+0.2%
7:30 am	Average Weekly Hours – May	34.3	34.3		34.3
2:00 pm	Consumer Credit – Apr	\$17.7 Bil	\$8.4 Bil		\$24.9 Bil

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