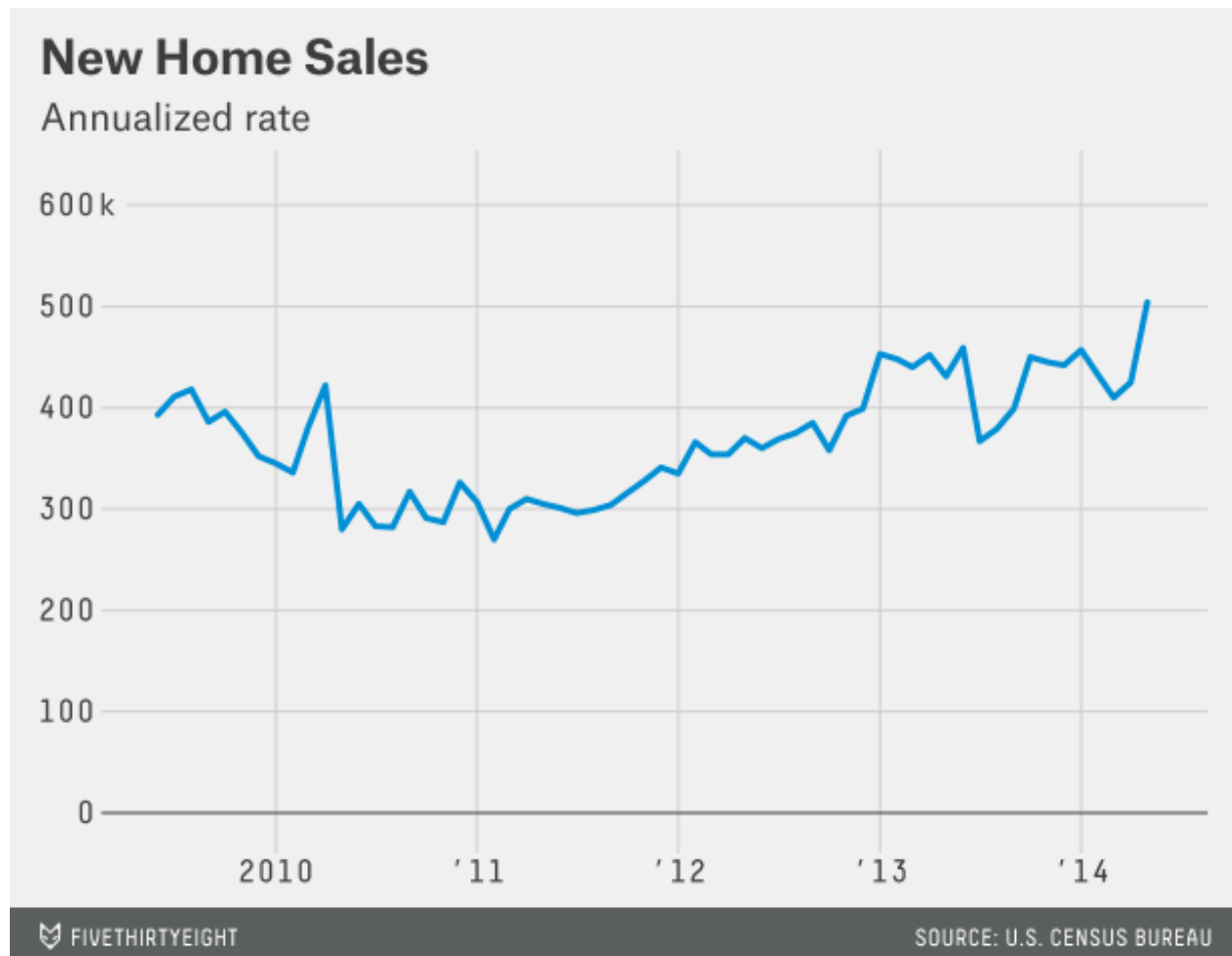


existing home sales Monday, by the National Association of Realtors, that [showed](#) a rise of nearly 5 percent in May. Both of these numbers are encouraging in light of the [rise in mortgage rates](#) that began last year and made home purchases more costly.



Relative to fundamentals, the housing market might be nearing its fair value, according to an update of Trulia's "Bubble Watch" [released Tuesday](#). By that measure, home prices are still undervalued by 3 percent but expected to reach fair value late this year or early next.

But these nationwide numbers mask wildly divergent trends in housing markets across the nation. For example, several California metro areas, led by Orange County, look overvalued by more than 20 percent; while several cities in Ohio, notably Akron and Cleveland, seem undervalued by about 21 percent.

So, prices are rising, though at a less bubbly pace; home sales are rising for existing units and booming for new ones; and the overall housing market is just a tad undervalued, though this glosses over huge regional variation. Still, Tuesday's reports might help quell policymakers' fears that prices were rising at an unsustainable pace and that home sales were hit hard by rising mortgage rates.

Andrew Flowers

Andrew Flowers is FiveThirtyEight's quantitative editor.

