

Home Price Gains Continue to Dampen Demand

By: Jann Swanson | Wed, Aug 22 2018, 10:53 AM

Existing home sales posted their fourth straight loss in July and have dropped to their **slowest pace since February 2016**. The National Association of Realtors® (NAR) said sales of previously owned single-family houses, townhouses, condos, and cooperative apartments were at a seasonally adjusted annual rate of 5.34 million units last month. This is a 0.7 percent decline from the 5.38 million units reported for June and puts sales behind those of a year earlier for the fifth straight month, this time by 1.5 percent.

Analysts keep anticipating a rebound for existing sales and continue to overshoot the mark. Those polled by Econoday expected July sales to be in the range of 5.39 to 5.51 million with a consensus of 5.42 million.

Single-family home sales declined by 0.2 percent to a seasonally adjusted annual rate of 4.75 million from 4.76 million in June. They are now running 1.2 percent below the 4.81 million sales pace a year ago. Condo and co-op were sold at an annual rate of 590,000 units. This puts them behind the two earlier periods by 4.8 percent and 3.3 percent respectively.

Lawrence Yun, NAR chief economist said ongoing and solid **gains in home prices are beginning to reduce buyer demand**. "Led by a notable decrease in closings in the Northeast, existing home sales trailed off again last month, sliding to their slowest pace since February 2016 at 5.21 million," he said. "Too many would-be buyers are either being priced out or are deciding to postpone their search until more homes in their price range come onto the market."

Any slack in demand however has not begun to lower prices. The median existing-home price for all housing types in July was \$269,600, up 4.5 percent from last July's median of \$258,100. It was the 77th straight month of year-over-year gains. The median single-family house price rose 4.6 percent on an annual basis to \$272,300 and a 3.2 percent gain put the condo median at \$248,100.

The **inventory of unsold homes** had increased in June by 4.3 percent, but the trend did not hold, falling back by 0.5 percent in July. The 1.92 million existing homes for sale represented a 4.3-month supply at the current sales rate. Both measures of inventory are the same as they were in July 2017.

Properties typically stayed on the market for 27 days in July, up from 26 days in June but down from 30 days a year ago. Fifty-five percent of homes sold in July were on the market for less than a month.

"Listings continue to go under contract in under a month, which highlights the feedback from Realtors® that buyers are **swiftly snatching up moderately-priced properties**," said Yun. "Existing supply is still not at a healthy level, and new home construction is not keeping up to meet demand."

"In addition to the steady climb in home prices over the past year, it's evident that the quick run-up in mortgage rates earlier this spring has had somewhat of a cooling effect on home sales," said Yun. "This weakening in affordability has put the **most pressure on would-be first-time buyers** in recent months, who continue to represent only around a third of sales despite a very healthy economy and labor market."

First-time buyers bought 32 percent of homes sold in July, which is up from 31 percent last month but down from 33 percent year ago. Investors accounted for 13 percent of sales, the same as in June and in July 2017. Twenty percent of sales were all cash transactions and short sales and foreclosures combined had only a 3 percent market share.

"Despite first-time buyers struggling to achieve homeownership, Realtors® in most areas say demand is still the strongest at the entry-level segment of the market," said NAR President Elizabeth Mendenhall. "For prospective first-timers looking to begin their home search this fall, it is expected that competition will remain swift. That is why it's important to be fully prepared with a pre-approval from a lender, and to begin conversations with a Realtor® early about what you're looking for and where."

The softening market was felt in three of the country's regions. Existing home sales in the **Northeast** dropped 8.3 percent to an annual rate of 660,000, putting those sales 1.5 percent behind last year. The median price in the region was \$309,700, an annual gain of 6.8 percent.

Sales in the **Midwest** declined 1.6 percent to a 1.25 million rate, 0.8 percent below a year ago. The median price was \$210,500, up 2.5 percent year-over-year.

Existing-home sales in the **South** decreased 0.4 percent to an annual rate of 2.24 million and are also 0.4 percent lower than a year ago. Home prices gained 2.7 percent to a median of \$233,400.

The **West saw the only gain**, 4.4 percent to an annual rate of 1.19 million in July, but sales are still 4.0 percent below a year ago. The median price in the West was up 5.1 percent to \$392,700.

View this Article: <https://www.mortgagenewsdaily.com/news/08222018-existing-home-sales>