

HIGH RATES, PRICES

Home sales barely move

BY ALEX VEIGA

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NEW YORK >> Sales of previously occupied U.S. homes edged higher in May, as stubbornly high mortgage rates and rising prices made homebuying less affordable even as the inventory of properties on the market continued to increase.

Existing home sales rose 0.8% last month from April to a seasonally adjusted annual rate of 4.03 million units, the National Association of Realtors said Monday. Still, the sales pace was the slowest for the month of May going back to 2009, when the market was still reeling from a housing crash. April and March's sales pace were also the slowest for those months going back to 2009.

Sales fell 0.7% compared with May last year. The latest home sales fell topped the 3.95 million pace economists were expecting, according to FactSet.

Home prices increased on an annual basis for the 23rd consecutive month, although the rate of growth continued to slow. The national median sales price rose 1.3% in May from a year earlier to \$422,800. That's an all-time high for the month of May, but represents the slowest annual price growth since June 2023.

"The relatively subdued sales are largely due to persistently high mortgage rates," said Lawrence Yun, NAR's chief economist. "Lower interest rates will attract more buyers and sellers to the housing market."

The U.S. housing market has been in a slump since early 2022, when mortgage rates began to climb from pandemic-era lows. Home sales fell last year to their lowest level in nearly 30 years.

The average rate on a 30-year mortgage has remained relatively close to its high so far this year of just above 7%, which it set in mid-January, according to mortgage buyer Freddie Mac.

Homes purchased last month likely went under contract in April and May, when the average rate on a 30-year mortgage ranged from 6.62% — the low point so far this year — to 6.89%. Last week, it averaged 6.81%.

High mortgage rates, which can add hundreds of dollars a month in costs for borrowers, remain a key affordability hurdle for many would-be homebuyers. Years of soaring home prices have helped put homeownership out of reach. The median U.S. home sales price is up 52% since May 2019. The U.S. hourly wage rate increased 30% in the same period, Yun noted.

While price growth has slowed, elevated mortgage rates and rising prices are forcing prospective homebuyers to save more for a down payment. In May, buyers needed an annual income of \$91,960 to afford a typical home with a 20% down payment, or nearly 87% more than in May 2019, according to Realtor.com.

The affordability constraints are limiting home purchases by first-time buyers. They accounted for 30% of homes sales last month. Historically, they made up 40% of home sales.

Economists generally expect mortgage rates to stay relatively stable in the coming months, with forecasts calling for the average rate on a 30-year mortgage to remain in a range between 6% and 7% this year.

Home shoppers who can afford to buy at current mortgage rates benefited from a wider selection of properties on the market.

There were 1.54 million unsold homes at the end of last month, a 6.2% increase from April, and 20.3% higher than May last year, NAR said. That's still well below the roughly 2 million homes for sale that was typical before the pandemic, however.

May's month-end inventory translates to a 4.6-month supply at the current sales pace, up from a 4.4-month pace at the end of April and 3.8 months in May last year. Traditionally, a 5- to 6-month supply is considered a balanced market between buyers and

sellers.

One reason for the pick up in for-sale inventory is properties are taking longer to sell. Homes typically remained on the market for 27 days last month before selling, up from 24 days in May last year, NAR said.

As the number of homes for sale increases and the pool of home shoppers who can afford to buy declines it can heighten pressure on sellers to lower their asking price or offer other buyer-friendly concessions. Consider, some 28% of homes sold above their list price last month, down from 30% a year earlier.

Many homebuilders have also been lowering prices and offering sales incentives such as mortgage rate buydowns to entice prospective home shoppers at a time when the supply of new homes is running at around 8 months.

"We're moving from a pretty seller-friendly housing market to one with more balance," said Danielle Hale, chief economist at Realtor.com. "This means we're seeing more buyer-friendly market signals than we have in years."