

Spring buying season got off to a lethargic start in March

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Sales of previously occupied U.S. homes slowed in March, a lackluster start to the spring homebuying season as elevated mortgage rates and rising prices discouraged home shoppers.

Existing home sales fell 5.9% last month from February to a seasonally adjusted annual rate of 4.02 million units, the National Association of Realtors said Thursday.

The March sales decline is the largest monthly drop since November 2022, when sales fell 6.7% from the previous month, and marks the slowest sales pace for the month of March going back to 2009.

Sales also fell 2.4% compared with March last year. The latest home sales fell short of the 4.12 million pace economists were expecting, according to FactSet.

The average cost of a U.S. mortgage, which climbed to its highest level in two months last week, is a significant barrier for would-be homebuyers, said Lawrence Yun, NAR's chief economist.

"Residential housing mobility, currently at historical lows, signals the troublesome possibility of less economic mobility for society," Yun said.

Home prices increased on an annual basis for the 21st consecutive month, although at a slower rate. The national median sales price rose 2.7% in March from a year earlier to \$403,700, an all-time high for March, but the smallest annual increase since August.

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

Higher mortgage rates also dampened the start of the spring homebuying season in 2024. This year, after climbing to a just above 7% in mid-January, the average rate on a 30-year mortgage has remained mostly elevated, climbing last week to 6.83%, its highest level in eight weeks, according to mortgage buyer Freddie Mac. The average rate eased this week to 6.81%.

While sales of existing home fell last month, sales of newly built homes surged in March. They jumped 7.4% from February and 6% from March last year, the Commerce Department reported Wednesday.

To drum up sales, homebuilders have ramped up sales incentives, such as paying to lower the initial rate on a homebuyer's mortgage.

Many builders have also shifted to their focus to smaller, less expensive homes. That helped lower the median sale price on a newly built home last month to \$403,600.

In contrast, existing home sales tend to be driven by properties on the upper-end of the market, where more affluent homebuyers can afford to finance a home at current mortgage rates or perhaps pay cash. Consider, sales of homes priced at \$1 million or higher jumped 14% last month from a year earlier, while those priced between \$100,000 and \$250,000 fell 4%, NAR said.

There were 1.33 million unsold homes at the end of last month, an 8.1% increase from February, and a 19.8% jump from March last year, NAR said.

"I felt that more inventory would lead to more sales, but that's not the case," Yun said.