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Home Sales Hit Lowest Level Since '95

Higher mortgage rates, record prices subdue sales for second straight year

BY NICOLE FRIEDMAN

U.S. existing-home sales fell in 2024 to the lowest level since 1995, the second straight year of anemic sales due to stubbornly high mortgage rates.

High costs related to homeownership sapped sales again. The average rate for a 30-year fixed mortgage has hovered between 6% and 8% since late 2022, making it prohibitively expensive for many Americans to buy homes at current prices, which hit record highs last year. Rising home insurance and property tax costs are also adding to homeowners' expenses. Unlike mortgage rates, which fluctuate, these costs are poised to continue rising.

* The housing market's outlook this year depends again on mortgage rates, said Rick Palacios Jr., director of research at John Burns Research & Consulting.

"The starting point for 2025 is, you're kind of already starting in a spot with not that much momentum," he said. "I don't really see how that thesis reverses and gets more optimistic as long as mortgage rates stay at 7%." *

The Federal Reserve began to hike interest rates aggressively in 2022 to combat a surge in inflation. That helped push up mortgage rates and acted like a brake on home buying in 2023 and 2024. *

The Fed cut short-term rates three times last year, but mortgage rates have risen in recent months. Last week, mortgage rates topped 7%, an important psychological threshold for buyers and sellers, though rates declined slightly this past week, according to Freddie Mac. *

Still, some economists are optimistic that sales can gain momentum going into the crucial spring selling season, when activity tends to peak. In December, existing-home sales increased for the third straight time on a monthly basis. That hasn't happened since 2021. *

"This could be a sign that buyers and sellers may be coming to terms with a higher interest rate environment," said Priscilla Thiagamorthy, senior economist at BMO Capital Markets. *

Even so, existing home sales in December were 20% lower than the average pace in 2019, according to Wells Fargo. *

The housing market is struggling to shake off one of the worst sales slumps in recent memory, marking the second straight year that sales of previously owned homes stood at the lowest level since 1995.

The U.S. population has grown by about a quarter since the mid-1990s, so the weak home sales numbers are even more dramatic today.

The number of sales is also down about a third from the more than six million homes that sold in 2021, when the market was booming due to low mortgage rates and pent-up demand after the first year of the pandemic. *

The unaffordable housing market has frustrated buyers and sellers, forcing many to delay or cancel plans to move, and prompted both presidential candidates in 2024 to pledge to help lower housing costs. The slow pace of sales also has hurt mortgage lenders, real-estate brokerages and home-goods stores.

* why? 6% rate

Existing-home sales fell 0.7% in 2024 from the prior year to 4.06 million, the National Association of Realtors said Friday.

Home prices have continued rising on a year-over-year basis, because the inventory of homes for sale is lower than historically normal levels. Inventory is up from yearago levels, but supply is still tight in many markets because many would-be sellers with low mortgage rates are unwilling to sell and take on a higher rate to buy a different home.

The national median existing- home price in December was \$404,400. That is down from the record high of \$426,900 reached in June, but it represents a 6% increase from December 2023, NAR said.

“How is it that home sales are so low while home prices are so high?” said Lawrence Yun, NAR’s chief economist. “Inventory appears to be a big factor driving sales.” *

Home builders have been able to take advantage of the beleaguered existing-home market by attracting more buyers for their new homes, sometimes by agreeing to help subsidize their mortgage payments. But builders are also feeling the pinch.

“Builders may be poised to build more homes than last year, but with high interest rates expected to continue, they’ll be constrained,” said Robert Frick, corporate economist at Navy Federal Credit Union.

Heather and David Baxter decided to buy a four-bedroom house in Morgantown, W.Va., despite current mortgage rates. Their purchase closed Friday, and they paid extra to reduce their mortgage rate to 6.5%.

“My worry was that eventually the interest rates will fall, and the market is going to start going way up,” Heather Baxter said. “I figured now would be a better time, because even though my interest rate is higher, I know that we can always refinance” if rates go down in the future. *

Nationally, there were 1.15 million homes for sale or under contract at the end of December. That was down 13.5% from November and up 16.2% from December 2023.

“Inventory is increasing—that brings people into the market,” said Leo Pareja, chief executive of brokerage eXp Realty.

“We think that existinghome sales will marginally increase” in 2025, he said.

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