



Home hunters are window shopping more than they were last year, based on the number of property tours. DAVID RYDER/
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Home Prices Show Signs of Sputtering

Sellers' expectations are high and in some parts of the country they may have to adjust lower

The crucial spring home-selling season has started and the housing market is tepid. Discounts may be needed to tempt buyers.

Home-buying activity is usually quiet over the winter and picks up in February. That is when more inventory comes to the market since families aim to settle into new homes before school restarts in the fall. Almost 40% of all new homes sold annually in the U.S. are purchased from February through May. *

Last year's buying season was weak. So hopes are high that today's fractionally lower mortgage rates and greater supply of homes for sale will tempt more buyers off the sidelines in 2025.

Early signs of spring demand are mixed. Home hunters are window shopping more than they were last year, based on the number of property tours happening. Mortgage applications to purchase homes rose 7% in the week ended March 21 compared with the same period of 2024, data from the Mortgage Bankers Association shows.

But sales are pretty muted. Data released earlier this month by the National Association of Realtors shows sales of existing homes picked up 4% in February compared with January. This was much better than expected, but still 1% below levels seen a

year ago.

Buyers are showing some hesitancy, too. One in 7 pending home sales was canceled in February, according to Redfin data. That is above the normal rate of 1 in 9. This could be a sign the recent weakness in consumer sentiment is starting to affect the housing market, although natural disasters could be playing a role, as well.

In markets like Washington, D.C., firings of federal workers have made people worried about losing their jobs. The cancellation rate for some home builders in the capital is 50% based on survey findings, according to Rick Palacios, director of research at John Burns Research and Consulting.

Lennar, one of the biggest home builders in the U.S., said demand for new homes has slowed, and the company's average selling price for the three months through February fell 1% compared with the year before. The builder has to offer "abnormally high levels of incentives" to entice cautious buyers. Rising personal-debt levels are becoming a problem for more customers trying to access a mortgage.

KB Home, which also reported earnings in recent days, cut its outlook for the year and said the normal spring sales bounce hasn't materialized.

The rate on a 30-year mortgage is slightly lower than it was this time last year. But as home prices have continued to rise, buyers need a bigger down payment. The median monthly mortgage payment is 5.3% higher than it was a year ago, reaching a record of \$2,807.

The emerging picture is that demand from buyers is there, but it is fragile.

Meanwhile sellers' price expectations are high and inventory levels are rising nationally because properties are sitting on the market unsold.

While the median listing price is \$425,000, homes that are actually selling are priced at \$384,000, based on Redfin data. And owners who manage to sell their properties are offering discounts of around 2% to the listing price to get deals done.

If sellers don't receive at least one offer in the first week of putting a home on the market, it is probably a signal the price is too rich, according to Daryl Fairweather, chief economist at Redfin.

Sellers have gotten so used to rising home values that they are slow to adjust to weaker demand. Some are pulling their homes off the market altogether rather than settle for a lower price.

Delistings increased last December and continue to act as a safety valve in the housing market. In February, 9% of home listings were taken down after they failed to find a buyer, based on data from CoreLogic. Last year, the delisting rate for February was just 3.2%, in line with the five-year average.

Because of regional variations that have opened up in the U.S. housing market, discounts are needed to tempt buyers in some parts of the country but not in others.

The number of homes for sale is back above prepandemic inventory levels—or very close—in 10 states, Realtor.com data shows. Supply is especially high in Florida, Colorado, Texas and Utah. Meanwhile, bidding wars are still common in parts of the Midwest and Northeast, which are chronically short of housing.

Buyers still want a new home but are showing fresh signs of being maxed out.

As more properties hit the market this spring, sellers will find it hard to ignore that signal.

—Carol Ryan

Discount to listing price sellers are offering to get deals done