

U.S. homes sales fell sharply in January



A sign promoting 100% financing is displayed outside a model home in the Colony Ridge development in Cleveland, Texas, in 2023. DAVID J. PHILLIP — THE ASSOCIATED PRESS FILE

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Sales of previously occupied U.S. homes fell sharply in January as higher home prices and possibly harsh winter weather kept many prospective homebuyers on the sidelines despite easing mortgage rates.

Existing home sales sank 8.4% last month from December to a seasonally ^{NA} adjusted annual rate of 3.91 million units, the National Association of Realtors said Thursday. That's the biggest monthly decline in nearly four years and the slowest annualized sales pace in more than two years.

Sales fell 4.4% compared with January last year. The latest sales figure fell short of the 4.105 million pace economists were expecting, according to FactSet.

"The decrease in sales is disappointing," said Lawrence Yun, NAR's chief economist. "The below-normal temperatures and above-normal precipitation this January make it harder than usual to assess the underlying driver of the decrease and determine if this month's numbers are an aberration."

Home sales slowed sharply across the Northeast, Midwest, South and West. But sales had their biggest annual and monthly drop in the West, which wasn't as affected by last month's winter storm as the other regions of the country. Plus, there's usually a month or two lag between a contract signing and when the sale is finalized, so many of January's sales reflect contracts signed late last year.

Despite the sharp drop in sales, home prices continued to climb last month. The national median sales price increased 0.9% in January from a year earlier to \$396,800. Home prices have risen on an annual basis for 31 months in a row.

The U.S. housing market has been in a sales slump dating back to 2022, when mortgage rates began to climb from pandemic-era lows. The combination of higher mortgage rates, years of skyrocketing home prices and a chronic shortage of homes nationally following more than a decade of below-average home construction have left many aspiring homeowners priced out of the market. Sales of previously occupied U.S. homes remained stuck last year at 30-year lows.

Sales have been hovering close to a 4-million annual pace now going back to 2023. That's well short of the 5.2-million annual pace that's historically been the norm.

Still, mortgage rates have been trending lower for months, which helped give home sales a boost in December and brightened the outlook for the upcoming spring home-buying season — at least for home shoppers who can afford to buy at current rates.

Many of the homes purchased last month likely went under contract in November and December, when mortgage rates eased to their lowest levels of the year.

The average rate on a 30-year mortgage briefly dropped last month to 6.06%, the lowest level since September 2022, according to mortgage buyer Freddie Mac. It has since inched higher, remaining this week at just above 6%, but close to a percentage point lower than a year ago.

Even so, affordability remains a challenge for many aspiring homeowners, especially first-time buyers who don't have equity from an existing home to put toward a new home purchase. They accounted for 31% of homes sales last month. Historically, they made up 40% of home sales.

"Today we have minimal foreclosures, housing wealth continues to build out, it's just that renters who want to become homeowners are finding difficulty," Yun said.

Uncertainty over the job market is also likely keeping many would-be buyers on the sidelines.

While the economy has been registering solid growth, the labor market has been sluggish for months. U.S. job openings fell in December to the lowest level in more than five years. And while hiring by U.S. employers was surprisingly strong in January, government revisions reduced the number of jobs created last year to the weakest total since 2020, when the pandemic began.

The sales slowdown means more homes are staying on the market longer.

There were 1.22 million unsold homes at the end of January, down 0.8% from December and up 3.4% from January last year, NAR said. That's still well short of the roughly 2 million homes for sale that was typical before the COVID-19 pandemic.

January's month-end inventory translates to a 3.7-month supply at the current sales pace. Traditionally, a 5- to 6- month supply is considered a balanced market between buyers and sellers.

More homes traditionally go on the market ahead of the spring home-buying season, which could give prospective buyers a wider selection.

"Buyers will find a more favorable market as we head into spring," said Lisa Sturtevant, chief economist at Bright MLS. "More inventory, lower rates and slower price growth will give buyers more room for negotiation."

