

## See Where Home Prices Are Rising and Falling the Most

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The spring home-buying season is off to a slow start—but not everywhere.

Buyers are still competing against each other for homes in the Northeast and Midwest, where new supply has been limited and attractive listings can draw crowds.

Home prices in parts of the South have been flat or falling. Even with prices starting to come down, however, buyers are still struggling to afford purchases in places such as Texas and Florida, after prices skyrocketed during the pandemic-era housing boom. Home builders built aggressively in those areas during that time, and now many are sitting on unsold homes after mortgage rates doubled from their lows and relocations to these states slowed down. \*

Overall, the U.S. housing market is far less active than it was a few years ago, when mortgage rates were low and remote work allowed people to move farther from their offices. Just over four million existing homes were sold last year, down about one-third from the more than six million homes that sold in 2021. ]

The slow sales environment looks poised to persist, especially if mortgage rates hold near current levels, economists say. Many would-be buyers are on the sidelines because of high home prices, mortgage rates near 7% and rising costs for property taxes and home insurance.

But for the buyers who are in the market, their ability to negotiate with sellers or find a bargain depends a lot on where they are shopping.

The most important difference between Bridgeport, Conn., and Cape Coral, Fla., right now is the supply of homes for sale. The markets with high levels of inventory are either posting price declines already or are the most vulnerable to declines if buyer demand weakens.

### The importance of inventory

The housing market is divided between markets where the supply of homes for sale is higher than it was before the pandemic, and markets that still have an abnormally low number of homes on the market. ]

The chart below shows the relationship between inventory and price. The size of each bubble shows the number of active listings in April, according to Realtor.com.

In the top-left corner are metro areas where the supply of homes for sale is still below pre-pandemic levels and prices are rising. The major markets in the Northeast and Midwest, as well as some Southern and Western markets, are in this corner.

The bottom-right corner shows metro areas with higher levels of inventories compared with before the pandemic and falling prices. These are mostly in the South.



(News Corp, which owns the Journal, also operates Realtor.com.)

Nationally, the supply of homes for sale is still around 16% below prepandemic levels, according to Realtor.com. That is because homeowners who locked in low mortgage rates a few years ago are reluctant to sell their homes and take on new mortgages with a higher borrowing cost.

New-home construction also plays a major role. Home builders are less active in the Northeast and Midwest due to lower population growth in those regions. During the pandemic when single-family home construction surged, most of the increase was in other parts of the U.S.

### **Migrating South**

During the pandemic, when home-buying demand soared, many Americans relocated to the South. They wanted a lower cost of living, warmer weather or fewer pandemic restrictions compared with other parts of the country. Many also got new jobs in those fast-growing markets.

From 2020 to 2024, the South's population grew 5.1%, with Florida and Texas benefiting the most from population growth, according to Census Bureau data.

Home builders responded to the surge in demand by aggressively building new homes. New-home prices climbed as buyers moving from high-cost coastal markets could afford to pay cash for homes.

But the migration to Southern markets has slowed since the height of the pandemic home-buying boom, because those markets got more expensive and some companies ended their remote-work policies. Higher mortgage rates and high home prices have also pushed many buyers out of the market. That has left some Texas and Florida markets with a surplus of newly built homes, leading to price declines.

### **Locked In in the West**

Western markets have some of the highest proportions of homeowners with low mortgage rates. In California, about two-thirds of homeowners with mortgages have a rate below 4%. That means more people in those states are unwilling to move, even if they would prefer to upgrade into a bigger home or downsize.

But some sellers can't keep waiting, especially if they have a life event such as a new baby, a new job or a divorce that means they need to move. The supply of homes for sale is already rising in these markets, and it is likely to rise more if mortgage rates decline.

One signal of what's going on in the West is that more sellers in those markets are offering concessions to buyers. That is a sign that even though prices are rising in those markets, buyers have more negotiating leverage than they used to. In Seattle, for example, 71% of home sellers offered some form of concession in the first quarter of this year, up from 36% a year earlier, according to Redfin.



High concession rates show that sellers and buyers are far apart in their negotiations. If demand gets weaker in these markets, more sellers could be forced to cut prices to close a deal.

