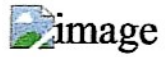


WSJ Print Edition



Existing Home Sales Ticked Up In October

BY NICOLE FRIEDMAN

Sales of existing homes rose in October, reflecting a short-lived drop in mortgage rates that improved affordability for buyers and produced the first year-over-year gain in sales in more than three years. *

The average rate for a 30-year fixed mortgage slid throughout the summer and reached a two-year low in late September, according to Freddie Mac.

Lower rates lured some home buyers off the sidelines and sparked some hope among real-estate agents that a boost in activity during the fall could salvage another slow year for sales activity.

U.S. existing-home sales in October rose 3.4% from the prior month to a seasonally adjusted annual rate of 3.96 million, the National Association of Realtors said Thursday. Economists surveyed by The Wall Street Journal had estimated a monthly increase of 2.9%.

October sales rose 2.9% from a year earlier, the first year-over-year increase in sales since July 2021.

Homes typically go under contract a month or two before the contracts close, so the October data largely reflect purchase decisions made in September and August when rates fell on their way to a low of 6.08%. *

But rates have started rising again and stood at 6.84% this week, potentially stalling some of the market's momentum.

"People are accepting that the mortgage rates, the new normal, is not going to be 3% or 4% or 5%," said Lawrence Yun, NAR's chief economist.

Home sales in 2024 are still on track to hit the lowest level since 1995. *

Christie and Mark Seeley jumped into the market in September when they found a three-bedroom home in Olympia, Wash., on 9 acres of land. The home had been sitting on the market since July and the price had been reduced. The Seeleys offered the asking price and asked the seller to contribute to their closing costs, and their offer was accepted. *

They bought the home in October with a 5.875% mortgage rate, after paying extra to their lender to reduce their mortgage rate.

"It was the perfect timing for us, because now I know rates are way higher," Mark Seeley said. "We were very fortunate."

The recent increase in mortgage rates has reduced expectations for home-buying activity in 2025. Many firsttime buyers are priced out of the market at current rates and prices, and homeowners with low rates on their current mortgages are reluctant to give them up by selling and moving. *

Mortgage rates would need to fall below 6% for sales to pick up, said Odeta Kushi, deputy chief economist at First American Financial.

“Any improvement in mortgage rates is welcome,” she said. But “people want a 5 on the left-hand side of that decimal point.”

The national median existing-home price in October was \$407,200, a 4% increase from a year earlier, NAR said.

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ANNUAL GAIN

Home sales rise for first time in over three years

BY ALEX VEIGA

THE ASSOCIATED PRESS

LOS ANGELES>> Sales of previously occupied U.S. homes rose in October, the first annual gain in more than three years, with home shoppers encouraged by easing rates and a pickup in properties on the market.

Existing home sales rose 3.4% last month, from September, to a seasonally adjusted annual rate of 3.96 million, the National Association of Realtors said Thursday. That matches the annual pace set in July.

Sales rose 2.9% compared with October last year, representing the first year-over-year gain since July 2021. The latest home sales topped the 3.93 million pace economists were expecting, according to FactSet.

Home prices increased on an annual basis for the 16th consecutive month. The national median sales price rose 4% from a year earlier, to \$407,200.

"The worst of the downturn in home sales could be over, with increasing inventory leading to more transactions," said Lawrence Yun, the NAR's chief economist.

Still, with just two more months left to go this year, existing home sales are on track for the lowest annual home sales since 1995, Yun said.

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. Existing home sales sank to a nearly 30-year low last year as the average rate on a 30-year mortgage surged to a 23-year high of nearly 8%, according to mortgage buyer Freddie Mac.

The average rate on a 30-year mortgage fell to a two-year low of 6.08% in September, when likely many of the purchase contracts on homes that officially sold in October were signed. But it's been mostly rising since then, reaching 6.84% this week.

Economists predict that mortgage rates will remain volatile this year, but generally forecast them to hover around 6% in 2025.

That may not be attractive enough to entice current homeowners who bought or refinanced at rock-bottom rates to sell. More than 4 in 5 homeowners with a mortgage have an existing rate below 6%, according to Realtor.com.

A wider selection of properties on the market as sales slowed this year has been a bright spot for home shoppers. There were 1.37 million unsold homes at the end of October, up 0.7% from September and 19.1% from October last year, NAR said.

That translates to a 4.2-month supply at the current sales pace, which is down from 4.3 months in September, but up from a 3.6-month pace at the end of October last year. Traditionally, a 5- to 6-month supply is considered a balanced market between buyers and sellers.

Another factor helping lift the inventory of homes on the market: Properties are taking longer to sell than a year ago.

Homes typically stayed on the market for 29 days last month before they were sold, up from 28 days in September and 23 days in October last year.

While the number of homes for sale has been increasing this year, the housing market inventory remains well below its pre-pandemic levels. Consider, there were about 1.8 million unsold homes on the market in October 2019.

"We still need another 30% growth in inventory to get us back to pre-COVID conditions," Yun said.

Limited inventory, especially in the more affordable price range of a given market, helps drive prices higher.

That's one reason first-time homebuyers, who don't have any home equity to put toward their down payment, continue to struggle to afford a home.

They accounted for just 27% of all homes sold last month. That's up from 26% in September, but down from 28% in October last year. First-time buyers have accounted for 40% of sales historically.

Homebuyers who can afford to sidestep mortgage rates and pay all cash for a home accounted for 27% of sales last month, down from 29% a year earlier.

