REAL ESTATE

U.S. home sales ended a 4-month slide in July

A real estate sign points the way to a home for sale in the South Park Hill neighborhood in 2023 in Denver. KATHRYN SCOTT — DENVER POST FILE

BY ALEX VEIGA

THE ASSOCIATED PRESS

LOS ANGELES>> Sales of previously occupied U.S. homes ended a four-month slide in July as easing mortgage rates and a pickup in properties on the market encouraged home shoppers.

Existing home sales rose 1.3% last month from June to a seasonally adjusted annual rate of 3.95 million, the National Association of Realtors said Thursday.

Sales fell 2.5% compared with July last year and are running below last year's pace. The latest home sales came in slightly higher than the 3.92 million pace economists were expecting, according to FactSet.

Home prices increased on an "annual basis" for the 13th consecutive month. The national median sales price rose 4.2% from a year earlier to $422,600. While down slightly from the all-time high set in June, last month's median sales price was the highest on record for the month of July.

"Despite the modest gain, home sales are still sluggish," said Lawrence Yun, the NAR's chief economist. "But consumers are definitely seeing more choices, and affordability is improving due to lower interest rates."

The U.S. housing market has been in a deep 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 7.79%, according to mortgage buyer Freddie Mac.

Mortgage rates have been mostly easing since reaching 7.22% in early May. This month, the average rate for a 30-year home loan has made its biggest downshift in more than a year, hovering around 6.5%. This week, the rate eased to its lowest level in 15 months.

Still, homeownership remains out of reach for many Americans after years of surging home prices: The median U.S. home sales price has surged 51% over the past five years.

Home shoppers who could afford to buy benefited last month from a modest pickup in properties on the market.

All told, there were about 1.33 million unsold homes at the end of July, up 0.8% from June and 19.8% from July last year, NAR said.

That translates to a four-month supply at the current sales pace, up from 3.3-month pace at the end of July last year. Traditionally, a five- to six-month supply is considered a balanced market between buyers and sellers.Another factor helping boost inventory: Homes are taking longer to sell, though they're still being snapped up relatively quickly.

Homes typically stayed on the market for 24 days in July before they were sold, up from 22 days in June and 20 days in July last year.

And fewer homes received multiple offers. A quarter of the homes that sold last month were bought for more than their original list price, down from 35% in July last year. *

"So, we still have lingering multiple offers, but not as intense as it was one year ago," Yun said.

First-time homebuyers who don't have any home equity to put toward their down payment continue to have a tough time getting into the housing market. They accounted for 29% of all homes sold last month, unchanged from June, but down from 30% in July last year. They've 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 28% in June, but up from 26% in July 2023. And about 13% of homes sold last month were bought by individual investors or homeowners looking to buy a second home, down from 16% a year earlier, NAR said.

Home sales may continue to pick up in coming months if mortgage rates follow their downward trajectory, many economists expect.

Signs of waning inflation and a cooling job market have raised expectations that the Federal Reserve will cut its benchmark interest rate next month for the first time in four years.

Mortgage rates are influenced by several factors, including how the bond market reacts to the central bank's interest rate policy decisions. That can move the trajectory of the 10-year Treasury yield, which lenders use as a guide to pricing home loans.

"Easing inflation helped accelerate the decline in mortgage rates in mid-July and rates currently hover near 15-month lows," said Daniele Hale, Realtor.com's chief economist. "This is likely to bode well for buyers in the fall — a typically advantageous season for home shoppers."

Realtor.com forecasts that the average rate on a 30-year mortgage will fall to 6.3% by the end of the year.