

Total Existing Home Sales Fell in May; Housing Market Activity Continues To Cool Off in 2024

- Existing home sales fell in May, both month-over-month and year-over-year.
- Existing single-family home sales dropped in May and from the same time last year. Sales of condos and co-ops were flat again on the month and down from last year.
- The inventory of homes for sale was up again in May due to a rise in supply and easing demand.
- Growth in the median sale price was up again; the price momentum in single-family homes continued in May.
- PNC expects existing home sales to continue to drop in the near term, but should pick back up later this year as mortgage rates fall below 7 percent.

Total existing home sales dropped 0.7% in May 2024 and 2.8% over the past year to 4.11 million at a seasonally-adjusted annualized rate, from 4.14 million in April 2024, according to the National Association of Realtors (NAR). This is the third consecutive decline in total existing home sales in May. Total existing home sales dropped in the South, while sales in other regions remained flat from April. Over the past year, total existing home sales dropped in the Northeast, the South and the West; sales in the Midwest increased 1%, driven by increases in existing single-family home sales.

Existing single-family home sales dropped 0.8% on the month and 2% on a year-ago basis. Existing single-family home sales have been declining since 2022 and were down from its peak of 5.9 million in 2020. Despite the recent retreat, existing single-family home sales were still up from last October's level. Sales of existing condos and co-ops remained unchanged at 0.4 million for a third straight month in May. On a year-over-year basis sales of existing condos and co-ops were down 9%.

Demand for existing home sales continued to cool off in recent months. The number of homes for sale rose 7% in May and 19% over the past year while total existing home sales declined. A pickup in inventory and easing demand resulted in a rise in the seasonally-adjusted supply of existing homes for sale, up 3.7 months at the current sales pace in May from 3.5 months in April. This is also the third consecutive rise in home inventories.

The median sales price of existing prices (not seasonally adjusted) continued to rise in May due to undersupplied homes in the US. The median sale price of existing homes was up 6% in May on a year-over-year basis. Prices of existing single-family homes, in particular, increased at a faster pace in May; prices of condos and co-ops rose from last year, but has slowed somewhat from early 2023.

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Under tight credit conditions, housing market activity continues to cool off in 2024; homebuilder retreated, new construction housing permits and starts dropped, and total existing home sales also experienced losses both on the month and over the past year in May.

Elevated mortgage rates, along with rising home prices, heavily weighed on housing affordability and housing market activity. Given the acceleration in inflation in the first quarter of 2024, PNC expects two 25bps fed funds rate cuts toward the end of 2024; the improvement in home purchasing affordability, continued cooling in inflation, and some loosening credit conditions by the end of this year will bring some energy for a slight rebound in housing market activity. PNC expects existing home sales to continue to drop in the near term, but should pick back up later this year.

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