

July Home Sales Picked Up Slightly; Housing Market Set to Strengthen Later This Year as Mortgage Rates Decline

- Existing home sales experienced a minor rebound in July.
- Existing single-family home sales increased and condo and co-op sales were flat on the month; both were down from last year.
- Existing home sales were up in three regions and flat in the Midwest in July.
- The inventory of existing homes for sale picked up slightly while seasonally unadjusted home prices dropped in July.
- PNC expects the temporary softness in the housing market to end later this year.

Total existing home sales rose 1.3% in July 2024 from June, to 3.95 million at a seasonally-adjusted annualized rate from 3.90 million, according to the National Association of Realtors (NAR). This is a slight rebound after four consecutive months of declining sales. Existing home sales have tumbled from above 6 million in early 2022, and have moved lower in recent months after a modest increase in early 2024 to above 4 million. On a year-ago basis total existing home sales were down 3% in July; sales were down 5% year-over-year in June.

Sales increased 1% for existing single-family homes over the month and were flat for condos and co-ops. Both have been on a downward trend despite the small rebound. Existing single-family home sales were up to 3.57 million in July, but still down from a peak of almost 6 million in 2020 and from above 4 million in early 2024. Sales of existing condos and co-ops remained flat on the month, resting at the lowest level since the pandemic more than four years ago, at 0.38 million at a seasonally-adjusted annualized rate.

Existing home sales were up over the month in the Northeast (4%), South (1%), and West (1%), while sales in the Midwest were flat. On a year-ago basis existing home sales dropped in the Midwest (down 5%) and the South (down 4%), and increased in the Northeast (up 2%) and the West (up 1%).

Housing inventory continued to rise in July from the bottom in late 2023. The number of homes for sale inched up 0.8% in July from June and was up 20% over the past year. The combined effect of rising home inventories and soft housing demand has led to an increase in supply. The seasonally-adjusted supply of existing homes for sale fell to 4.0 months at the current sales pace in July. That is down marginally from 4.1 months in June but is up from 2.9 months in February. The seasonally-unadjusted median sale price of an existing home in the U.S. dropped in July to \$422,600 after rising for five months. The median sale price for an existing home was up 4.2% year-over-year in July, slightly stronger than the June pace but down from above 5% in February. Median sale price growth was strongest in the Northeast at 8%, while it was lowest in the South at 2%.

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The 30-year fixed mortgage rate fell below 6.5% in August after rising to 7.2% in May, according to the Freddie Mac. Despite this drop housing affordability remains a challenge with slower job and wage growth this year and rising home prices. Housing starts were down 7% in July from June with ongoing softness in the housing market. Mortgage rates should move lower through the rest of 2024 and into 2025 as the Federal Reserve loosens monetary policy, starting with an expected 25 basis point cut in the fed funds rate at the Federal Open Market Committee's September 18 meeting. PNC expects low affordability to continue to weigh on the housing market in the near term, but demand should improve later this year and in 2025 as mortgage rates decline and price growth slows, leading to improved housing affordability and a pickup in residential construction.

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