

# U.S. Data Review

- Existing home sales: plunging affordability cuts demand

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## Existing Home Sales

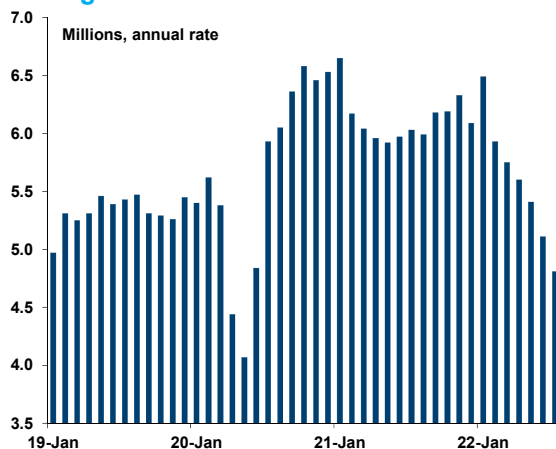
Sales of existing homes fell 5.9 percent in July to 4.81 million units (annual rate), marking the sixth consecutive decline (chart, left). A drop in affordability in recent months (elevated mortgage rates and high prices) led analysts to project a decline in July, but the drop exceeded the consensus expectation of a pullback of 4.9 percent. The sharp slowing in activity, which began around the turn of the year, has pushed activity to its lowest level since the early stages of the expansion – and left sales 27.7 percent below the recent peak of 6.65 million in January 2021.

Weakness in sales was broad-based geographically in July, with declines in all four major regions of the country. Activity in all four regions has now eased to levels seen in the early stages of the current expansion.

Tight inventories of homes available for sale had constrained activity in recent years, but the situation has improved in recent months. The number of homes on the market rose 4.8 percent in July, notably firmer than the typically small gain for this month. (The series on inventories is not seasonally adjusted; the average increase in July in the prior 10 years totaled 0.9 percent.) July marked the fifth consecutive increase in the number of homes for sale, with four of these months posting above-average increases (and the fifth only a bit below average). The increase in inventory and slowing in sales pushed the months' supply of homes available for sale to 3.3 months, up from 2.9 in June and the record low of 1.6 in January of this year. While improved from readings earlier in the year, the months' supply is still low by historical standards (chart, right).

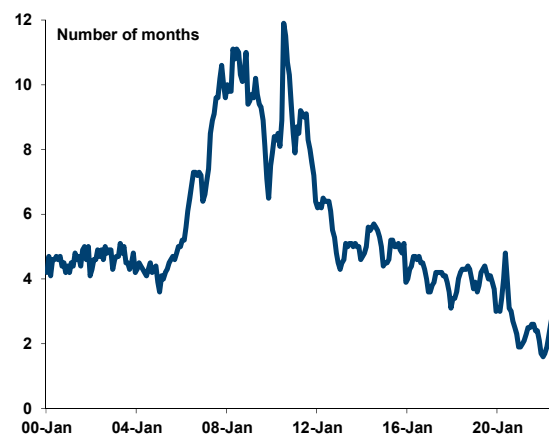
The slowing in sales led to some cooling in home prices in July, with the median slipping 2.4 percent from June to \$403,800. However, prices are still up 10.8 percent on a year-over-year basis (median of \$364,400 in July of last year).

### Existing Home Sales



Source: National Association of Realtors via Haver Analytics

### Months' Supply of Existing Homes



Source: National Association of Realtors

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