

Existing Home Sales Improved With Large Gains in the West Both on the Month and Over the Past Year

- Existing home sales rose 3.1% in January 2024 from December, but were down 1.7% over the year.
- Existing home sales were flat in the Northeast and up in the other three regions over the month. On a year-ago basis, sales were up in the West and down in the other three regions.
- The median sales price was up 5% in January from a year earlier.
- Inventories rose slightly in January.
- Existing home sales will pick back up over the course of 2024 with easing mortgage rates and more inventory.

Total existing home sales were up 3.1% to 4.00 million in January 2024 at a seasonally-adjusted annualized rate, from 3.88 million in December 2023 (revised up from 3.78 million), according to the National Association of Realtors (NAR). Sales were down 1.7% in January on a year-over-year basis.

Sales were flat in the Northeast from December to January, but rose 4.2% in the West, 4.0% in the South, and 2.2% in the Midwest. Sales in the West were up almost 3% in January from a year earlier, but the other regions were down from last year; the largest decline was in the Northeast (down 5.9%).

Existing single-family home sales rose 3.4% on the month but dropped 1.4% year-over-year. Sales of condos and co-ops were flat in January from December and, were down 4.8% on a year-ago basis.

The inventory of existing homes for sale rose 2.0% in January from December, to 1.01 million units. But sales rose more than inventories, so the months of supply on the market at the existing sales pace fell to 3.0 months in January, from 3.1 months in December and 3.6 months in October. Inventories relative to sales are historically low.

Tight supplies continue to put upward pressure on prices, even with the big increase in mortgage rates over the past year. The median sale price for an existing home was \$379,100 in January (not seasonally adjusted), up 5.1% from a year earlier. This is the strongest price growth since October 2022. After falling in late 2022 and early 2023, house prices are increasing now due to very tight inventories, even with very low affordability.

Elevated 30-year fixed mortgage rates, compared to pre-2022 levels, will continue to weigh on existing home sales in early 2024. Although mortgage rates have fallen somewhat over the past few months, affordability remains extremely low given big price gains over the past few years. Tight supplies and low affordability will continue to weigh on existing home sales in the near term. Low inventories will continue to put upward pressure on prices this year, even with very low affordability.

A gradual decline in mortgage rates will lead more homeowners to consider moving, resulting in increased supply. In addition, single-family homebuilding has picked up recently; this will also help reduce price pressures. Price growth should slow in the near term; this, combined with somewhat lower mortgage rates, will lead to greater affordability by 2025 and support a stronger turnaround in sales.

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