Existing Home Sales Rose in September, but Higher Mortgage Rates Remain a Headwind

Headlines

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- **Existing home sales rose 1.5% in September. Sales were down 2.2% from the same time last year.**
- **Inventories jumped to the highest level since late 2019. The inventory-to-sales ratio held steady at 4.8 months in September and is now above its pre-pandemic level.**
- **Annual house price growth ran at 1.3%,** with the largest annual increase in the undersupplied Northeast.
- **Looking ahead, PNC expects elevated mortgage rates to continue weighing on existing home sales in the near term.**

Details

Total existing home sales rose 1.5% to a seasonally adjusted annualized rate of 3.99 million units in September, up from 3.93 million units in August (revised down from 3.98 million), according to the National Association of Realtors (NAR). The increase **partially** reversed the declines over the previous three months. Despite the monthly rebound, elevated mortgage rates continued to weigh on housing demand. Sales were down 3.4% from February and 2.2% from a year earlier. The average 30-year fixed mortgage rate averaged about 7.0% in September, according to Freddie Mac, roughly **100 basis points** higher than the 6.05% average in February.

Existing home sales have hovered near 4 million units in recent years, well below the pre-pandemic pace of roughly 5 million. Sales fell sharply in early 2022 as mortgage rates surged from about 3% to nearly 7%, remained below 4.5 million throughout 2023, and reached a near 14-year low of 3.90 million units in September 2024.

Regionally, existing home sales declined 2.1% in the Northeast in September, while sales increased 2.8% in both the South and West. Sales were unchanged in the Midwest. Compared with a year earlier, sales declined in all four regions, led by a 5.2% drop in the West. **Sales were down 4.1% in the Northeast, 2.1% in the Midwest, and 0.5% in the South.**

Existing single-family home sales rose 2.0% from August, while condo and co-op sales fell 2.8%. On a year-over-year basis, **both categories posted declines,** with condo and co-op sales down a steeper 5.4%.

The inventory of existing homes available for sale increased about 2% from a month earlier to 1.60 million units (not seasonally adjusted), **the highest level since late 2019.** Inventory has trended higher over the past few years and has risen sharply since early 2026, although it remains low by historical standards.

With both sales and inventory increasing in September, **the supply of existing homes** on the market, measured by months' supply at the current sales pace, **held steady at 4.8 months**. The inventory-to-sales ratio has risen substantially from its record low of 1.6 months in early 2022 and now stands above its pre-pandemic level.

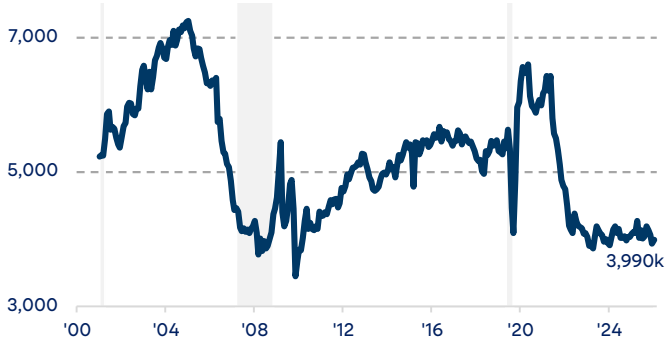
The median existing home price increased 1.3% from a year earlier to $417,500 in September (not seasonally adjusted). Although price growth slowed from the 1.6% increase in August, home price appreciation has strengthened from near-flat readings early in 2026.

The Northeast, where housing supply remains particularly constrained, posted the strongest home price appreciation among the regions, with the median sales price up about 5% from a year earlier. The Midwest followed with a 3% increase. Limited new home construction continues to support price growth in both regions. In August, the Northeast and Midwest accounted for just 8% and 16%, respectively, of total U.S. housing starts. By contrast, home price growth remained subdued in the better-supplied South and West, where median sales prices were up only 0.2% and down 0.3%, respectively, from a year earlier.

Housing affordability has improved somewhat over the past three years as mortgage rates retreated from their peak of 7.6% in late 2023 and household incomes continued to increase. Nevertheless, **affordability remains near historical lows in 2026**. Home prices continue to rise, income growth has moderated, and mortgage rates have moved noticeably higher this year.

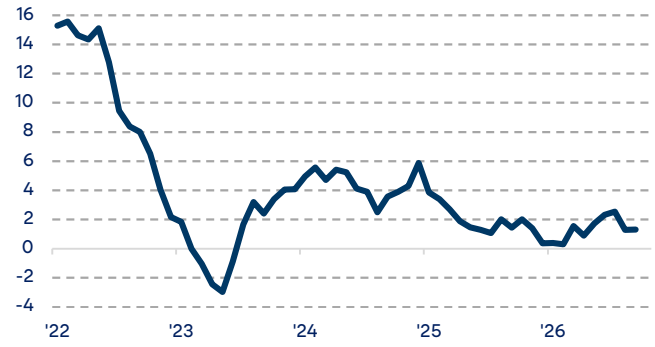
Looking ahead, **PNC expects elevated mortgage rates to continue weighing on existing home sales in the near term.** The average 30-year fixed mortgage rate rose to nearly 7.4% in October, close to its highest level in three years. Meanwhile, labor market softening has contributed to slower income growth, while inflation has accelerated. Lower household savings, slower wage growth, and higher inflation are likely to constrain households' ability to accumulate down payments, limiting support for home purchases in the near term.

Figure 1: Total existing home sales (thousands, SAAR)



Sources: NAR, PNC

Figure 2: Median existing home price (y/y % chg)



Sources: NAR, PNC

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