Existing home sales up in July 2025 while home price growth slowed

Headlines

- **Existing home sales increased 2% in July. On a year-ago basis, sales were up 0.8%.**
- **The months supply on the market fell slightly in July after rising to its highest level in nine years in June. As a result of increased supply housing price growth is slowing, and is expected to remain weak in the near term.**
- **PNC expects the housing market to remain weak in 2025, but fed funds rate cuts in 2025 and 2026 will contribute to gradual improvements in housing affordability and demand.**

Details

Total existing home sales increased 2% to 4.01 million units at a seasonally-adjusted annualized rate in July, from 3.93 million units in June, according to the National Association of Realtors (NAR). Sales came in stronger than the consensus expectation for a small decline. Existing home sales have hovered around 4 million over the past two years, considerably below the pre-pandemic level of around 5 million (Figure 1). Sales fell off a cliff in early 2022 after mortgage rates moved quickly higher, remained below 4.5 million in 2023, and dipped to a 14-year low in September 2024 at 3.90 million.

On a year-ago basis total existing home sales were up 0.8% in July. With strong cumulative house price growth since the pandemic and with the 30-year fixed mortgage rate at close to 7%, **housing affordability is near a record low** (Figure 1).

Single-family home sales increased 2.0% on the month to 3.64 million units, and existing condo/co-op sales rose 2.8% to 0.36 million units. Single-family home sales were up 1.1% from a year earlier, with condo/co-op sales down 2.6% (Figure 2).

Total sales increased the most in the Northeast, up 9% from June. Sales rose 2% in the South and 1% in the West, and fell 1% in the Midwest. On a year-over-year basis, existing home sales increased in all regions except the West (down 4%), They were up 2% year-over-year in both the South and the Northeast, and 1% in the Midwest.

The inventory of homes for sale in mid-2025 is close to the highest it has been since 2016, close to the highest it has been since 2016. The inventory of total existing homes for sale increased

Gus Faucher *Chief Economist*

Jay Hawkins *Senior Economist*

Stuart Hoffman *Senior Economic Advisor*

Kurt Rankin *Senior Economist*

Ershang Liang *Economist*

marginally by 0.6% to 1.55 million units, continuing the upward trend this year. With sales rising more than units on the market, the supply of all existing homes for sale fell slightly to 4.6 months at the current sales pace in July from 4.7 months in June. Typically inventory of more than 5.5 months is associated with a year-over-year median home price decline (Figure 4). As of July the months of supply of all existing homes was up 15% from a year earlier. This is a large increase, but supply has held steady at around 4.6 months for the past three months. Given high inventories, price growth will remain weak in the near term, and risks are tilted to the downside with more supply expected to come on the market over the next couple of months and with the U.S. labor market slowing.

House price growth has slowed significantly in 2025. The median seasonally-unadjusted sales price was up 0.2% from a year earlier in July, to $422,400. The median sale price has been rising over the past 10 years as the market has shifted toward more expensive homes (Figure 4). This has weighed heavily on housing affordability, especially after the typical 30-year fixed mortgage rate increased from below 3% in 2021 to above 7% in 2023. With high mortgage rates, low affordability, and slower economic growth, **the housing market will remain weak through the rest of this year**. PNC expects three 25 basis point cuts in the fed funds rate in 2025, at the Federal Open Market Committee's remaining three meetings of the year, with another cut in early 2026. This will help bring down the 30-year fixed mortgage rate and improve housing affordability and demand, contributing to a gradual recovery in the housing market next year.

Figure 1: US Home Sales (Millions) and Mortgage Rate (%)

Figure 2: Existing Home Sales by Type (Millions)

Figure 3: Existing Home Sales by Region (Millions)

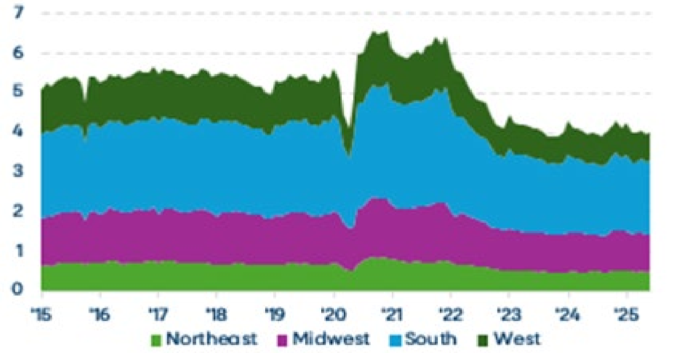

Figure 4: Median Home Price (%YoY) and Housing Stock (Months of Supply)

Figure 5: Home Sales Distribution (0%-100%) and Housing Affordability Index

Source: the National Association of Realtors (NAR)

Please reach out with any questions,

Ershang Lang
Economist
Ershang.liang@pnc.com