

The Fall in Home Prices May Already Be Over

Sellers stopped selling and some buyers stopped buying, but demand still outweighs supply. The result: Declining sales prices may have bottomed out in early summer.

September 11, 2023



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NEW YORK – After falling on a year-over-year basis for five consecutive months, U.S. home prices increased in July. The recovery suggests that the residential real-estate downturn is turning out to be shorter and shallower than many housing economists expected after mortgage rates soared last year.

Analysts note that high interest rates have prompted homeowners to stay put rather than buy new homes and take on more expensive mortgages, resulting in an unusually low

inventory of homes for sale.

The current market has a much lower overall volume of transactions, with sales of previously owned homes now down approximately 36% since January 2022 – but prices are generally holding firm outside of a few trouble spots as lower demand continues to outweigh a tighter supply.

The national median existing-home sale price rose 1.9% in July from a year earlier to \$406,700, according to the National Association of Realtors, and August home prices in 30 of the 50 biggest markets hit record highs, according to mortgage data and technology company Black Knight.

Sales could keep declining in the coming months as mortgage rates stay above 7%, and the housing market heads into the typically slower fall and winter. However, even if that happens, prices are unlikely to fall significantly, economists say, because there still aren't enough for-sale homes to meet demand.

Source: Wall Street Journal (09/08/23) Friedman, Nicole

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