

# Existing home sales fall for seven consecutive months

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By John Bender

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Sales of existing homes have fallen for the seventh consecutive month in August as increasing mortgage rates have turned up the pressure on both buyers and sellers.

The National Association of Realtors confirmed on Wednesday that existing home sales fell by 0.4 percent to a seasonally adjusted annual rate of 4.8 million in August.

In spite of this decrease, the number of sales exceeded predictions by all economists who polled by Econoday. The median estimate was a rate of 4.8 million.

“The housing sector is the most sensitive to and experiences the most immediate impacts from the Federal Reserve’s interest rate policy changes,” said NAR’s Chief Economist Lawrence Yun. “The softness in home sales reflects this year’s escalating mortgage rates. Nonetheless, homeowners are doing well with near nonexistent distressed property sales and home prices still higher than a year ago.”

The total housing inventory of homes on the market at the end of August was 1,280,000 units, which is a decrease of 1.5 percent from July and the same as last year. Unsold inventory is currently at a 3.2-month supply at the current sales pace, which the NAR said mirrored July and increased from 2.6 months in August 2021.

“Inventory will remain tight in the coming months and even for the next couple of years,” Yun said. “Some homeowners are unwilling to trade up or trade down after locking in historically-low mortgage rates in recent years, increasing the need for more new-home construction to boost supply.”

“Homeowners are loving their low interest rates... they do not want to give up that 3% mortgage rate” and move, he said, adding that the “lock-in effect is impacting inventory.”

Home prices also decreased on a month-to-month basis for the second consecutive month, which the NAR said was a normal seasonal decline.

Single-family home sales dropped to a seasonally adjusted annual rate of 4.28 million in August. This figure is 0.9 percent lower than the prior month and 19.2 percent below the year-earlier level. The median existing single-family home price was \$396,300 in August, which is an increase of 7.7 percent from August 2021.

“The latest rise in mortgage rates – up nearly 30 basis points since the end of August – has taken a further toll on homebuying affordability that will weigh on home sales in the months ahead. Our forecast calls for sales to average 4.6mn in the fourth quarter, but the risk is probably tilted to the downside. Home price growth is likely to continue to decelerate, but the limited supply of homes for sale will likely prevent too steep a decline,” said Nancy Vanden Houten, the lead U.S. economist at Oxford Economics.