U.S. Existing-Home Sales Reach Prerecession Pace

By Anna Louie
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A sold sign is posted in front of a home for sale in San Anselmo, Calif., in July. The pace of home sales last month climbed to the highest level since before the recession, the National Association of Realtors said Thursday. Photo: Getty Images

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WASHINGTON—Sales of existing homes climbed in July to their prerecession pace, but low inventory and higher prices threaten to curtail those gains heading into the fall.

Existing-home sales rose 2% last month from June to a seasonally adjusted rate of 5.59 million, the National Association of Realtors said Thursday. Last month's sales pace was the highest since February 2007 and 10.3% higher than a year earlier.

Despite relatively steady gains in home sales in the past year, thinning supply and high prices loom as headwinds that could slow the recovery. As well, mortgage rates could be poised to rise when the Federal Reserve raises short-term interest rates, potentially as soon as next month.

Total housing inventory fell 0.4% at the end of July to 2.24 million existing homes available for sale, 4.7% lower than a year ago. At the current pace of sales it would take 4.8 months to exhaust the supply of homes on the market, down from 5.6 months a year ago, the NAR said Thursday.

Jim Klinge, a real-estate agent in San Diego, said inventory is low in his area because residents are reluctant to move to another town or state. In prior years, high prices would encourage some people to sell and leave town, he said.

He said every new listing generates intense interest from buyers, such as a three-bedroom home he listed Saturday night at $579,000 for which he had already received 30 queries by Thursday.

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“We have to recognize that we have a broad-based housing shortage,” said Lawrence Yun, the NAR’s chief economist. “Home builders have been essentially out of the game or underproducing” since the crash.

The median sale price for a previously owned home slipped slightly to $234,000 from June’s $236,300, but is still 5.6% higher than a year earlier. July’s prices mark the 41st straight month of year-over-year price gains.

This combination of rising prices and thin supply has left some prospective buyers on the sidelines, especially as rising rents eat up a larger portion of incomes, making it harder to save for a down payment.

Mr. Yun noted that first-time buyers declined to 28% of all buyers, the lowest share since January. Sales are being driven largely by buyers who already own homes, he said.

According to mortgage company Freddie Mac, the average rate for a 30-year fixed-rate mortgage rose in July to 4.05% from 3.98% in June. Mortgage rates are still low by historical standards, but could rise in the fall if the central bank raises interest rates.

The market dynamics have also given an edge to existing homeowners, who can tap into rising home equity as their own properties appreciate.

“Most of our business this year has been move-up buyers,” said Steve Capen, an Atlanta, Georgia-based realtor with Keller Williams Realty. “A lot of those people got trapped when the market crashed and they’re finally starting to get some equity in the house so they can actually make move.”

Figures this week on housing starts indicate that some new inventory will eventually make its way onto the market.

U.S. housing starts rose 0.2% in July to a seasonally adjusted annual rate of 1.21 million, the highest since October 2007, the Commerce Department said Tuesday. That is the third time in four months the figures reached a new high since the recession began.

Thursday’s existing-home report showed that July’s gains were driven by sales in the single-family segment, which rose by 2.7%. Condo and co-op sales fell by 3.1%, the NAR said. Prices in both categories rose, with single-family home prices jumping 5.8% and condo prices rising 3.2%. These prices are not seasonally adjusted.

Sales performance also differed by region. Home sales rose in the South and West, but fell in the Northeast and stayed flat in the Midwest.

Selma Hepp, chief economist at real-estate website Trulia, said the regional differences in labor markets have contributed to divergent housing market performance. “Western states, such as California, have generally been the epicenter of both housing activity and job growth over the past year thanks to the job growth in higher-wage sectors, such as technology, health care and finance,” Ms. Sepp said.

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