Home Sales Rise for First Time Since May (WSJ)

Despite 1.5% bump in September, further rise in mortgage rates shrinks pool of buyers

BY NICHOLAS G. MILLER

Home sales in September rose for the first time since May, with buyers taking advantage of a plateau in mortgage rates over the summer before the surge in recent weeks.

Sales of existing homes increased 1.5% over the previous month to a seasonally adjusted annual rate of 3.99 million, the National Association of Realtors said Tuesday. Economists surveyed by The Wall Street Journal had expected a decline of 0.8%.

The September sales largely reflect purchase contracts signed in July and August when mortgage rates were in the mid-6% range. The increase in sales marks a slight rebound from August when home sales fell 3.2% from the prior month.

Still, August and September marked the two slowest months for home sales this year, NAR said. September sales were also down 2.2% year-over-year.

The lock-in effect that has defined the housing market in recent years, in which homeowners have held onto their low mortgage rates from years ago and frozen supply, continued to ease. In September, inventory rose 1.9% from August to 1.6 million units, which is 4.6% higher than the previous year and the highest level since 2019, NAR said.

“Higher inventory and lengthening days on market give buyers improved negotiating power,” said NAR Chief Economist Lawrence Yun. “Home sellers need to be realistic about local market conditions, which could require price discounts and other incentives to attract buyers.”

Meanwhile, the rise in mortgage rates has pushed many buyers out of the market. Mortgage rates

began September at 6.71%, but have since leapt, reaching 7.4% last week, the highest level in almost three years, according to Freddie Mac. A bond selloff driven by increasing expectations that the Federal Reserve will keep short-term rates higher for longer has brought 10-year Treasury yields to their highest point in decades.

Rates for 30-year fixed mortgages tend to follow the 10-year Treasury yield because most mortgages last around 10 years before being refinanced or exited through a sale.

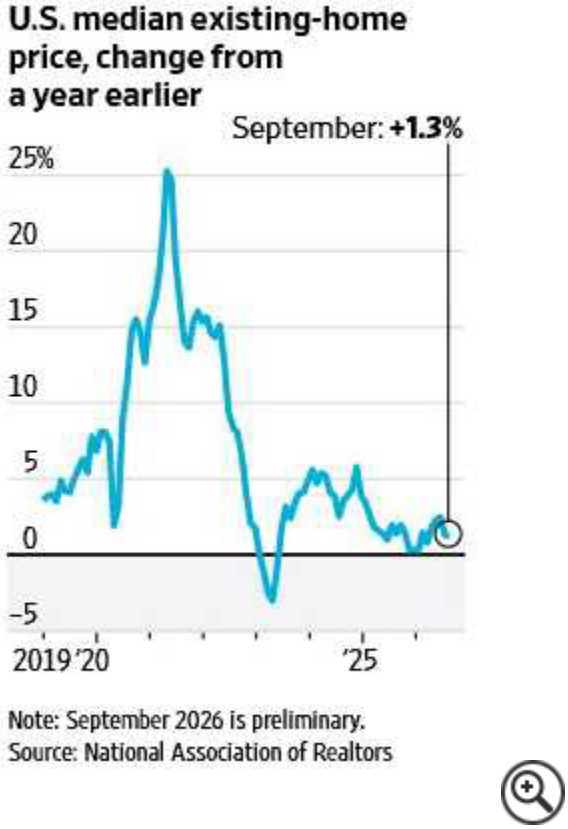
Home prices have continued to rise. The national median existing-home price in September rose 1.3% from a year earlier, to $417,500, NAR said.

“Further increases in mortgage rates in recent weeks mean fewer buyers can qualify to purchase a home,” Yun said.

Many sellers, frustrated with dormant open houses and buyers getting cold feet, are considering taking their homes off the market and --waiting until next year.

Cheryl Creasey said trying to sell her home in Everett, Wash., has been a nightmare. She and her husband, Manuel Perez, originally listed it in September at $769,000, and have had only a handful of showings and no offers. They have already cut the price twice and are planning to bring it down to below $700,000 this week. “Are we all just racing to the bottom? What are we supposed to do?,” she said. “I don’t know how bad this is going to get.”

They bought a new home before listing, taking out a loan to cover the down payment. Creasey has canceled just about all of her subscriptions



and stopped contributions to her 401(k) to help her carry the two mortgages and the loan.

Now, her agent has raised the possibility of taking the home off the market and trying again next year. If she had known it was going to be this hard to sell her house, she just wouldn’t have moved at all, she said.

“People that are thinking about buying a new house, like they should know, don’t sell your house. Like this is a crappy time to sell. Don’t do it. If you don’t have to, don’t do it,” she said.

Harris and Natalie Clayton are going through a similar ordeal trying to sell their house in Atlanta. They have had two buyers pull out after realizing they couldn’t afford the house. They have also cut the price twice, but in the last two weeks haven’t had any showings. If they don’t get any traction in coming weeks, they might take it off the market.

Rates have “just gone up so quick, it’s really just kind of sucked the air it seems out of the market,” he said.

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