



## "No One" Buying or Selling Existing Homes

"No one" is a relative term when it comes to economic data. There are actually about 4 million people per year buying existing homes based on the annualized and seasonally adjusted pace in the latest installment of the data released today for the month of November. But relative to most of the past 25 years, this is about as low as it gets.

Officially, the National Association of Realtors (NAR) reported existing sales at a pace of 4.09 million, well off the median forecast of 4.20 million and even farther below the previous reading of 4.43 million. Sales hit their most recent peak in January and have declined every month since then.

After more than a year of explosive growth (in both sales and prices) following by the fastest rate spike to the highest levels in decades, it's no surprise to see home sales pulling back. It's also logical that existing sales are being hit particularly hard because, unlike new homes, existing sales rely on an existing occupant (in most cases) needing to procure new housing. With prices/rates/rents/etc as high as they are, it has discouraged the migration necessary to create the inventory.

This is actually a bit of a silver lining as it means we might be seeing better sales numbers if there were more inventory. At the very least, we can see that the current environment is distinctly different from the Great Financial Crisis which saw inventories surge as buyers went on strike.



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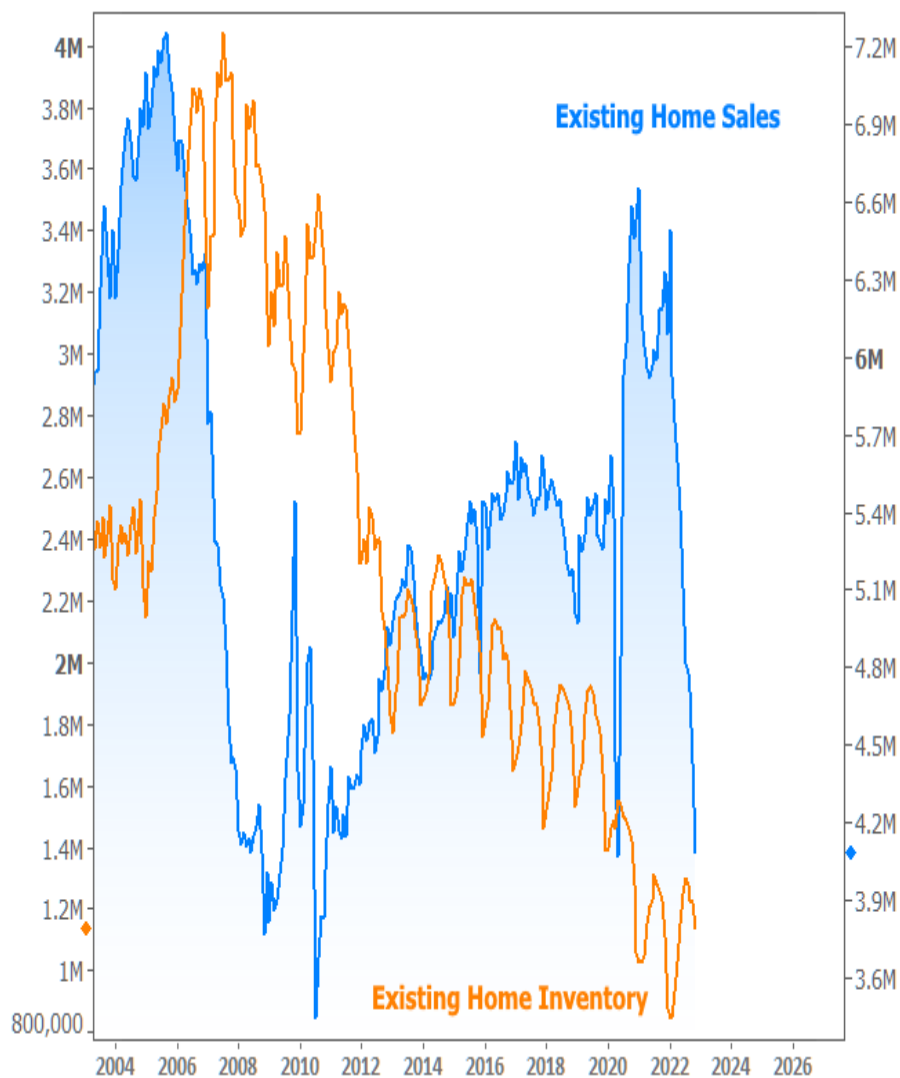
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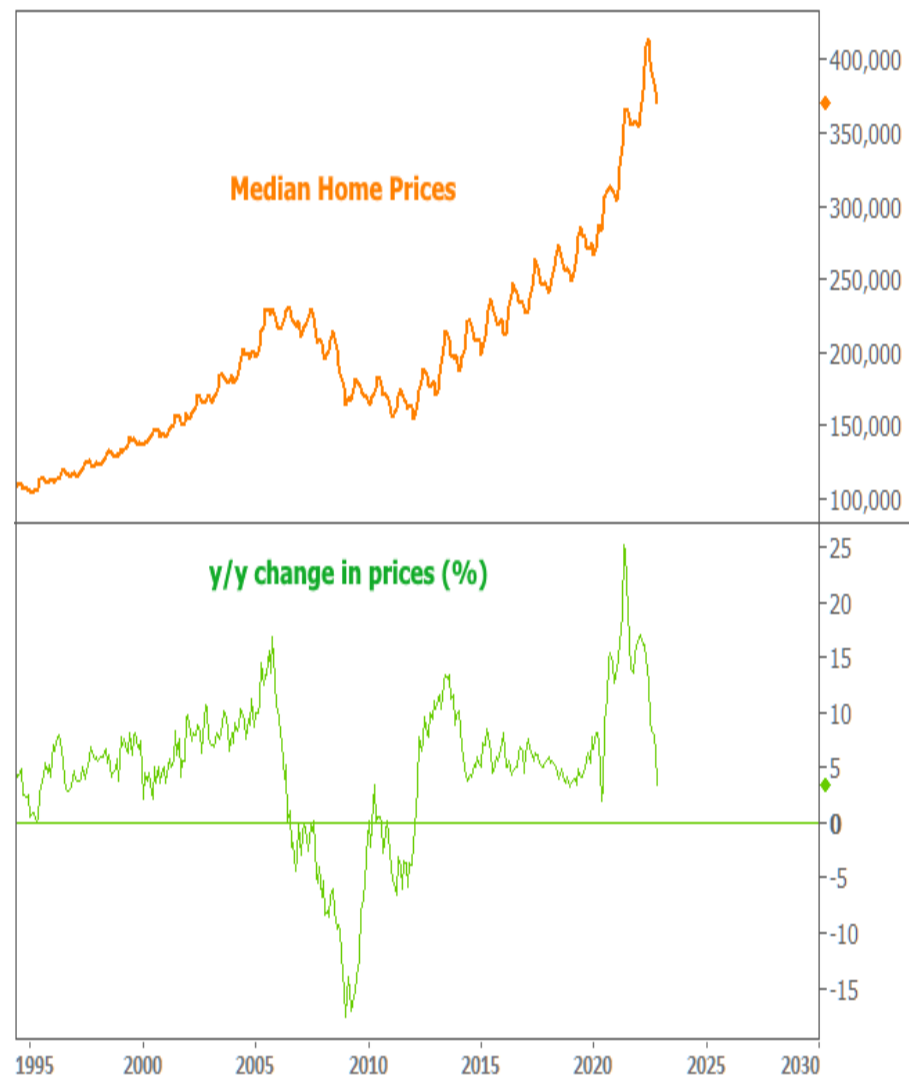
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What's next for the existing home market? We're only now getting to the early stages of the next phase in this cycle. Prices may be falling in month-over-month terms (they always do in the 2nd half of the year), but the annual pace of appreciation is still over 3.5%.



The evolution of the next phase of the cycle will depend on the extent to which rates and prices continue to moderate. While it can't work miracles, better affordability should help soften the inventory crunch. In turn, those developments will depend on the nature of inflation and economic data in the coming months.