HOUSING CONNECTION

Mortgage and Real Estate News That Matters

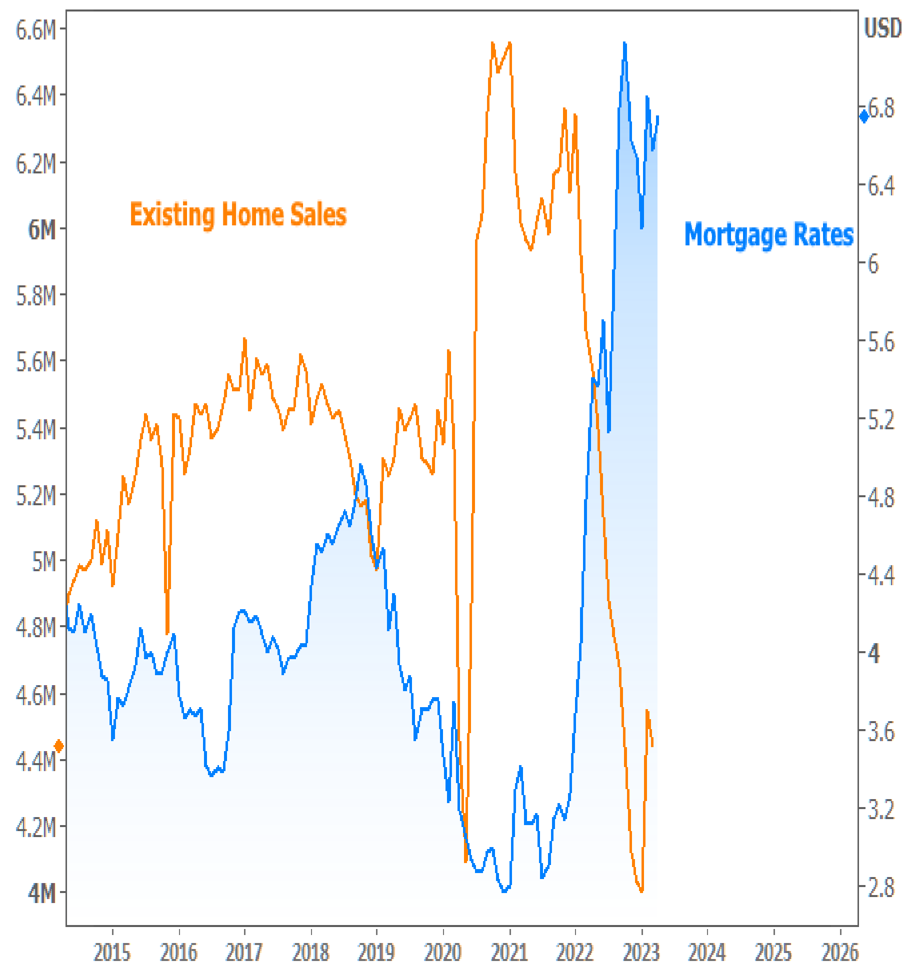
Existing Home Sales Hit by Higher Rates and Low Inventory

The National Association of Realtors (NAR) measures the sales of previously owned homes. These so-called Existing Home Sales account for a vast majority of all home sales in the US.

Existing sales bottomed out in January at an annual pace of 4.00 million units. The numbers for March came out today at 4.44 million. While that's a nice improvement, it was lower than last month's reading of 4.55 million and just shy of forecasts calling for 4.50 million.

In short, much like the world of interest rates, home sales are not quite as bad as they were a few months ago, but have generally been muddling along waiting for something to change. As for things that might change, interest rates are being watched very closely.

In fact, it's hard to overlook the fact that home sales arrested their freefall at the same time that interest rates experienced a small amount of relief after their fastest spike in decades. Looking back over the past few years, there is definitely a correlation between the ebbs and flows in rates and home sales.



Jason Wood

Mortgage Advisor & VA Loan Specialist, VA Loan Guy

www.valoanguyusa.com

P: (760) 350-3989

M: (760) 217-0820

2714 Loker Ave. W.
Carlsbad CA 92010___
317293

VA Loan Guy®

EQUAL HOUSING LENDER

There are other factors in play as well, even if one might argue they're related to the interest rate landscape. Inventory, for example, has been remarkably restrained by an unwillingness on the part of homeowners to give up the low rates obtained over the past 2 years. Those homeowners aren't expecting to go out and get another 2.75% mortgage rate, but something around 5% would free up a lot of inventory that is currently frozen by rates near 7%.

The knock-on effect of low inventory is that prices haven't declined in an especially alarming way. Looking at the following chart of sales vs prices vs inventory, we can see just how different the current correction is than the run up to the financial crisis in 2006. In other words, things are completely different this time around because the drop in sales has already happened while inventory remains low. Back then, inventory spiked well before the drop in sales.