ECONOMIC UPDATE

REGIONS

July 23, 2025

June Existing Home Sales: Little Impetus For A Sustained Pickup In Sales

- Existing home sales fell to an annualized rate of 3.93 million units in June from May's (revised) sales rate of 4.04 million units
- Months supply of inventory stands at 4.7 months; the median existing home sale price rose by 2.0 percent year-on-year

Total existing home sales fell to an annual rate of 3.93 million units in June, closer to our forecast of 3.91 million units than to the consensus forecast of 4.00 million units. On a not seasonally adjusted basis, sales came in at 391,000 units, topping our forecast of 382,000 units, and while this reflects a 0.5 percent increase from May, this is far smaller than the typical June increase, which weighed on the seasonally adjusted estimate. While we are not surprised by the middling sales print, we are somewhat surprised by the inventory data, which show a decline in inventories in June. As we noted in this week's *Economic Preview*, June is a month in which inventories of existing homes for sale typically rise, and while we expressed uncertainty over whether this June's data would conform to typical seasonal patterns, we were thinking along the lines of a smaller than normal June increase rather than an outright decline. Either way, this leaves inventories up 15.9 percent year-on-year, the smallest such increase since December. The median existing home sales price rose by 2.0 percent year-on-year, a bit more than our forecast anticipated but nonetheless in keeping with the slowing pace of year-on-year increases, reinforcing what the repeat sales price indexes are saying. We've argued that there is little impetus for a meaningful and sustained pickup in sales, nor will there be until there is more substantive relief on the affordability front. While mortgage interest rates are down modestly over recent weeks, they nonetheless remain in a fairly tight range, and in most markets there has not been enough relief on the pricing front to make a meaningful dent in affordability constraints. As such, existing home sales are likely to bounce along at a low level for some time to come.

As noted above, the not seasonally adjusted data show sales of 391,000 units in June, up 0.5 percent from May. As can be seen in our middle chart, this is weaker than the typical June increase, though not as weak as last year, which saw one of the few June declines in the life of the current series. Unadjusted sales were up in the Midwest and Northeast regions in June but down in the South and West regions, which combine for roughly two-thirds of all sales. As of June, the running twelve-month total of not seasonally adjusted sales, which we see as the most reliable gauge of the underlying sales trend, stood at 4.032 million units. While this is up modestly from May, our top chart shows how the trend sales rate has hovered within a narrow range over the past several months. As noted above, barring more substantive relief on the affordability front than we at present anticipate, the trend sales rate is likely to remain within this narrow range for some tome time come. On a year-to-date basis through June, sales are down 1.5 percent nationally, up 1.9 percent in the Northeast, flat in the Midwest, down 2.8 percent in the South, and down 3.4 percent in the West.

At June's sales pace, inventories of existing homes for sale are equivalent to 4.7 months of sales, the highest such ratio since June 2016. A ratio of 5.5-to-6.0 months is generally seen as consistent with balance market conditions, and while we're approaching this threshold, we're not so sure "balance" is the proper term to use here. To be sure, inventories have risen at quite the rapid clip, with June the sixteenth straight month with a double-digit year-on-year increase. At the same time, however, the listless sales pace is amplifying the effects of rising inventories when it comes to the months supply metric. It has to also be noted that the rapid growth in inventories comes from a significantly weak base, as inventories had touched all-time lows and are still, in absolute terms, lower than they should be. As we are approaching the time of the year in which inventories begin to fall, it could be that even with continued weakness in sales the months supply metric turns back down in the near term, particularly to the extent that softening prices lead prospective sellers to wait for what they perceive to be more favorable market conditions to list their homes. To reiterate our earlier point, however, that may be a lengthy wait barring meaningful improvement in affordability, which does not seem to be on the horizon.

Perhaps the group being most impacted by stringent affordability constraints are prospective first-time buyers. First-timers continue to account for a smaller than typical share of existing home sales, with down payments and monthly payments proving prohibitive for many. This filters up the buyer chain, which is one reason we expect the trend sales rate to remain weak.

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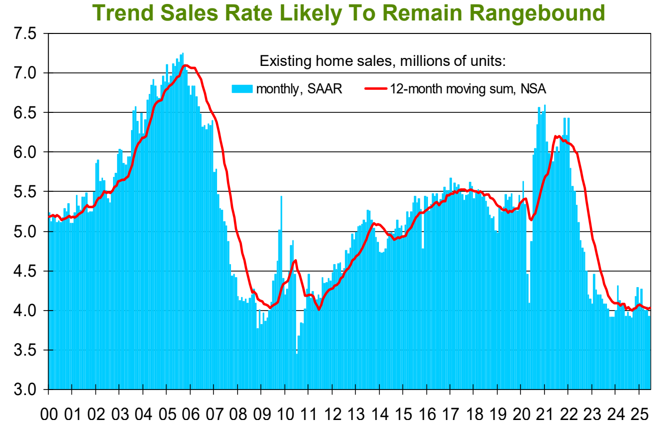
Trend Sales Rate Likely To Remain Rangebound



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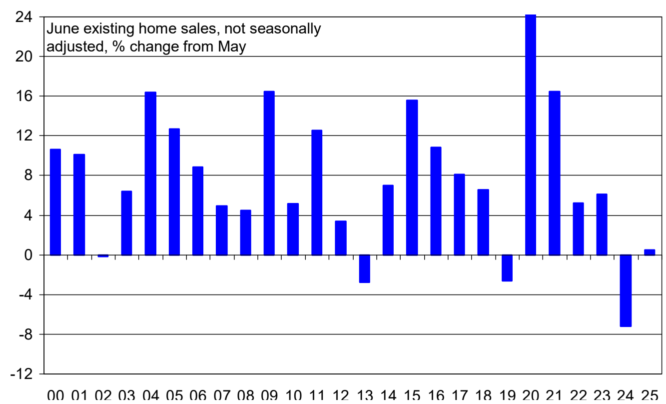

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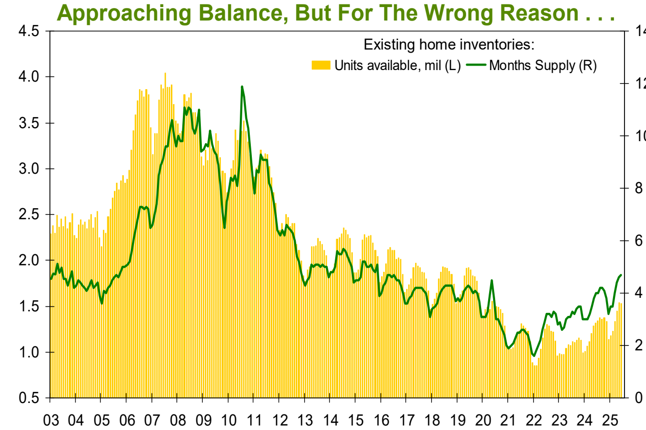
Approaching Balance, But For The Wrong Reason . . .



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