

Markets

Homebuyers Are Starting to Revolt Over Steep Prices Across US

- Key selling season is disappointing so far, economist says
- Higher portion of home sellers are cutting asking prices



Single family homes in a residential neighborhood in San Marcos, Texas. *Photographer: Jordan Vonderhaar/Bloomberg*

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June 1, 2024 at 7:30 AM MST

The US housing market – long crippled by an inventory drought – is finally starting to see listings rise. But now, in many places, the buyers just aren't showing up.

Sellers are grappling with the fact that higher-for-longer rates are choking off demand during what's typically the key season for the market. And more of those owners are cutting asking prices than any time since November 2022 as inventory grows stale, according to Redfin Corp.

“With mortgage rates rising back over 7%, the willingness of homebuyers to take a stab this season is diminished,” Ralph McLaughlin, senior economist at Realtor.com, said. “You can have high prices or you can have high mortgage rates, but you can’t have both for long.”

Coming into this year, the prospects of rate cuts by the Federal Reserve stirred up some optimism for a housing market that had just emerged from its worst year for sales of previously owned homes in nearly three decades. But the economy continued to roar on, diminishing hopes for interest rate cuts anytime soon.

“Without the rate cuts, a cold reality is settling down on the housing market,” Robert Frick, corporate economist for Navy Federal Credit Union, said.

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Buyers are getting very little, if any, relief from high borrowing costs. The average rate on a 30-year mortgage has hovered near 7% since the middle of April. And prices have continued to climb higher. In the four weeks ended May 26, the median sale price was up 4.3% from a year earlier to a record \$390,613, according to Redfin.

House hunters of all kinds are being squeezed out of the market. Sales of new homes – a bright spot for the inventory-constrained market – fell in April. Contracts to purchase existing homes that month slumped to the lowest level in four years. The pullback is causing listings to accumulate rather than getting matched with buyers, according to Realtor.com’s McLaughlin.

The spring selling season so far is “definitely a disappointment,” said Lawrence Yun, chief economist for the National Association of Realtors. “At the beginning of the year, I thought sales would increase throughout the year.”

Across the Country

While sales are falling on average in the US, geography matters. Sun Belt markets including Florida and Texas, which boomed with the influx of new arrivals during the pandemic, are now cooling in part because people have been priced out, according to Redfin. Meanwhile, metros in the west such as Seattle and the San Francisco Bay area had sharper corrections in late 2022 and are already beginning to recover.

Contract signings were down at least 14% in Houston, West Palm Beach, Florida and Atlanta, but surged by roughly that amount in San Jose, California, according to year-over-year data from Redfin for the four weeks through May 26. Redfin's measure of pending sales was down 3.4% nationwide.

Eighteen months ago, homes in the booming suburbs north of Nashville wouldn't even stay on the market for a day, said Don Hackford, a real estate agent in Hendersonville, Tennessee. Nowadays, a developer client recently pulled two homes off the market after getting some low-ball offers.

"Everything has kind of stagnated, and it's frustrating for Realtors, because it's like we're being shut out," Hackford said. "There's no work."

Along Florida's southwestern coast, a boom region hard hit by soaring home insurance rates, the number of active single-family home listings in the Punta Gorda area has doubled to 2,143 over the past year. Meantime, the median sale price of a single-family home fell by almost \$30,000 to \$351,000 in April from a year ago, said Leanne Walker, a local broker and president of Realtors of Punta Gorda-Port Charlotte-North Port-DeSoto Inc.

"It has gotten very flat," Walker said. "It has become very much a buyer's market. Lots of price reductions happening."

Price growth could slow more broadly in the coming months, Redfin Economist Chen Zhao said. But any deceleration would likely be slow, given the pent-up demand from the Millennial generation that will likely keep buoying the market.

“The consensus expectation was that rates would have eased by now, bringing more demand and supply and higher transaction volume,” Redfin’s Zhao said. “But instead we’re continuing to slog around the bottom that we reached about 18 months ago.”

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