

Economic Indicator — February 21, 2025

## Existing Home Sales Chill in January

### High Mortgage Rates and Elevated Uncertainty Slow Residential's Recent Momentum

#### Summary

#### Resales Retrench as Mortgage Rates Stay High

A chill swept through the housing market in January. Existing home sales declined 4.9% to a 4.08 million-unit pace during the month, ending a three-month streak of gains. January's retrenchment may be owed to harsh winter weather, as cold temperatures kept buyers sidelined. Prospective home buyers may have also become hesitant as a result of increased economic policy uncertainty following the election.

The main driver behind the monthly decline, however, was likely renewed upward pressure on mortgage rates. Despite several federal funds rate cuts from the Federal Reserve, mortgage rates are still close to 7%, essentially unchanged compared to the start of last year. In addition to high rates, low supply continues to drive up home prices and worsen affordability for buyers.

A recent pullback in mortgage demand implies further weakness for home sales in the coming months. After modestly improving in the second half of 2024, MBA's mortgage applications for purchase index has retrenched to start the year and is still hovering well below the level registered in the prior cycle before the pandemic. All told, 2025 is setting up to be another challenging year for the housing market given a restrictive rate environment is likely to persist, preventing a meaningful improvement in affordability.

Economist(s)

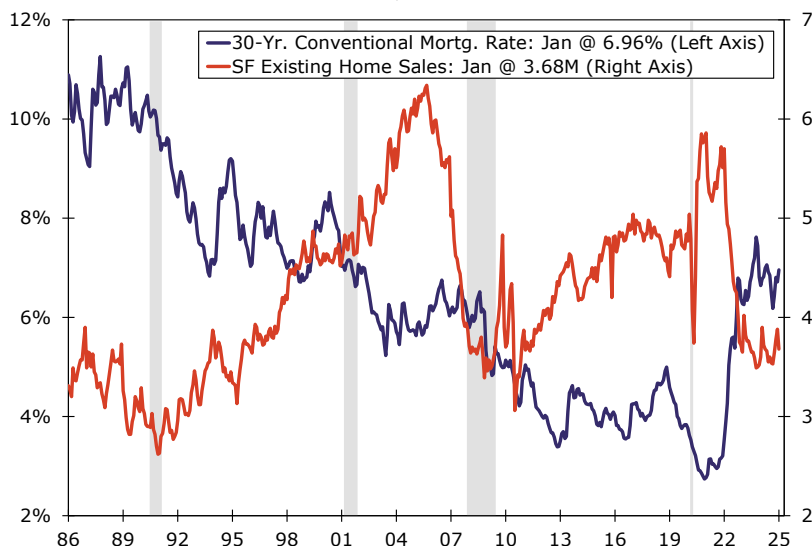
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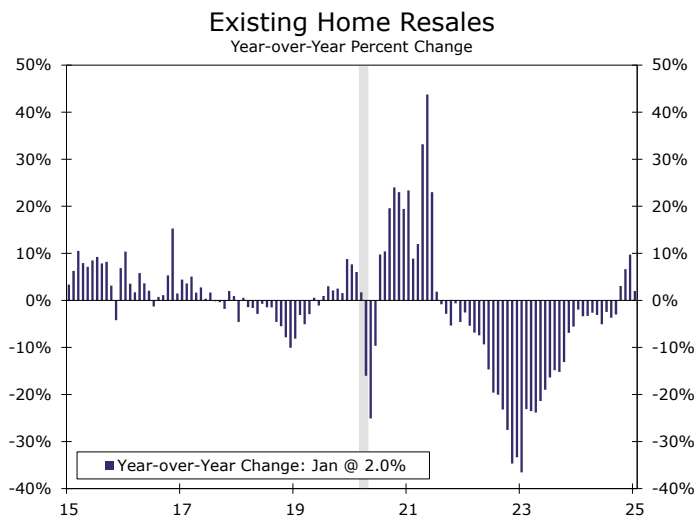
**Mortgage Rate vs. Existing Single-Family Home Sales**  
SAAR, Millions



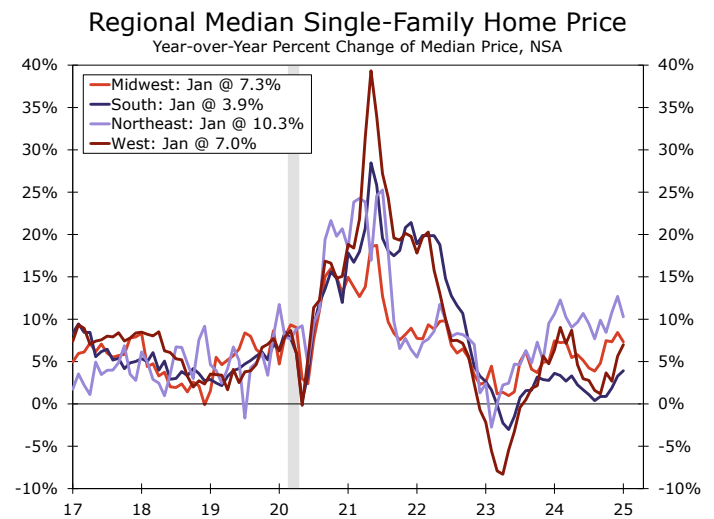
Source: NAR, Freddie Mac and Wells Fargo Economics

## Mortgage Rate Resilience Discourages Homebuying

- Higher mortgage rates dealt a blow to homebuyers at the start of the year. Existing home sales slipped 4.9% to a 4.08-million annualized pace in January following three back-to-back gains in the months prior.
- January's decline was shared between both single-family (-5.2%) and condo and co-op (-2.4%) sales.
- Despite January's dip, the improvement in Q4 2024 was enough to preserve an annual gain in single-family transactions, which were up 2.2% year-over-year. This uptick was widely shared geographically. The South is the only exception, where the pace of single-family resales was unchanged from the year prior.
- We expect the housing market will encounter a rocky road in the months ahead. The strength in resales late last year was likely owed to a temporary dip in mortgage rates in August and September. Mortgage rates have sprung back up since then, hovering close to 7.0% since last November. Pending home sales slid in kind, retreating by 5.5% in December.
- Solid price growth is adding another layer to current affordability challenges. The median single-family home price dipped 1.6% in January on a not-seasonally-adjusted basis, but rose 5.0% over the last 12 months. Annual price appreciation is even firmer in the supply-constrained Northeast, where median prices rose 10.3% on a year-to-year basis.
- Poor affordability conditions have increased the time from listing to sale. The typical property spent 41 days on the market in January 2025, up from 36 days in January 2024.
- The upshot of slower foot traffic is slightly higher resale inventory. The number of single-family listings was up 15.7% over the past 12 months in January. That said, the 1.03 million single-family homes for sale at the start of 2025 remained 16.9% below the 1.24 million available in January 2020.

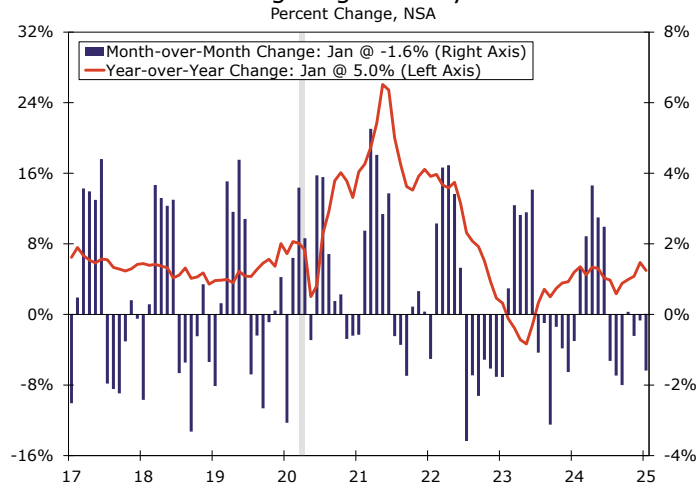


Source: NAR and Wells Fargo Economics



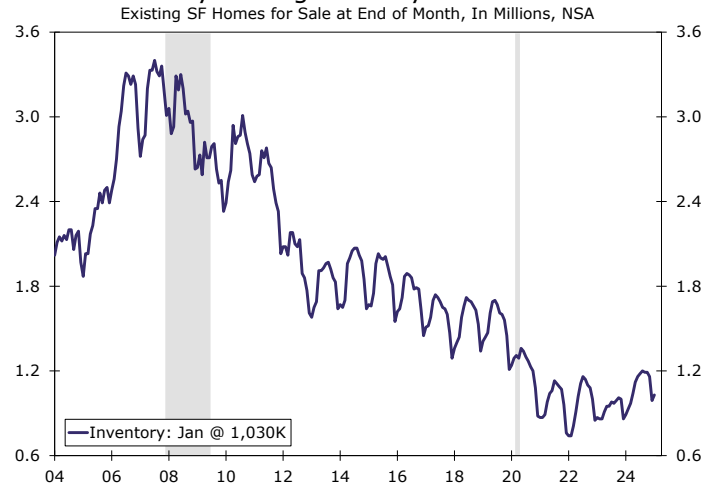
Source: NAR and Wells Fargo Economics

## Median Existing Single-Family Home Price



Source: NAR and Wells Fargo Economics

## Inventory of Single-Family Homes for Sale



Source: NAR and Wells Fargo Economics

## National Housing Outlook

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Forecast	
Real GDP, Percent Change	2.9	1.8	2.5	3.0	2.6	-2.2	6.1	2.5	2.9	2.8	2025	2026
Residential Investment, Percent Change	10.6	7.1	4.3	-0.7	-0.9	7.7	10.9	-8.6	-8.3	4.2	-0.4	-0.8
Nonfarm Payroll Change (Avg. Monthly)	226.4	193.9	175.9	190.3	165.7	-772.8	604	377	251	186	121	134
Unemployment Rate	5.3	4.9	4.4	3.9	3.7	8.1	5.4	3.6	3.6	4.0	4.1	4.0
<b>Home Construction</b>												
Total Housing Starts, in Thousands	1,111.9	1,173.7	1,202.9	1,250.0	1,289.9	1,379.6	1,601	1,553	1,420	1,364	1,347	1,382
Single-Family Starts, in Thousands	714.6	781.5	848.9	875.7	887.7	990.5	1,127	1,005	948	1,010	982	1,006
Multifamily Starts, in Thousands	397.3	392.2	354.0	374.3	402.2	389.1	474	548	472	355	365	376
<b>Home Sales</b>												
New & Existing Home Sales, in Thousands	5,751	6,011	6,123	5,957	6,022	6,461	6,891	5,667	4,753	4,694	4,986	5,214
New Home Sales, Single-Family, in Thousands	501	561	613	617	682	821	771	641	666	632	639	660
Total Existing Home Sales, in Thousands	5,250	5,450	5,510	5,340	5,340	5,640	6,120	5,026	4,087	4,062	4,347	4,554
Existing Single-Family Home Sales, in Thousands	4,646	4,838	4,892	4,742	4,765	5,066	5,413	4,480	3,659	3,671	3,946	4,140
Existing Condominium & Co-op Sales, in Thousands	608	614	619	601	579	578	707	546	428	391	400	414
<b>Home Prices</b>												
Median New Home, \$ Thousands	294.2	307.8	323.1	326.4	321.5	336.9	397.1	457.8	428.6	420.1	425.1	439.6
Percent Change	2.0	4.6	5.0	1.0	-1.5	4.8	15.8	16.8	-6.4	-2.0	1.2	3.4
Median Existing Single-Family Home, \$ Thousands	223.9	235.5	248.8	261.6	274.6	300.2	357.1	392.8	394.1	412.4	428.9	446.9
Percent Change	7.2	5.2	5.6	5.1	5.0	9.3	19.0	10.0	0.3	4.6	4.0	4.2
S&P Case-Shiller National Home Price Index, Percent Change	4.5	5.1	5.8	5.8	3.4	6.0	17.1	14.8	2.5	5.0	4.2	4.7
<b>Interest Rates - Annual Averages</b>												
Federal Funds Target Rate	0.27	0.52	1.13	1.96	2.25	0.50	0.25	2.02	5.23	5.27	4.31	4.00
10-Year Treasury Note	2.14	1.84	2.33	2.91	2.14	0.89	1.45	2.95	3.96	4.21	4.46	4.36
Conventional 30-Year Fixed Rate, Commitment Rate	3.98	3.76	4.09	4.64	4.08	3.18	3.03	5.38	6.80	6.72	6.80	6.50

Forecast as of: February 19, 2025

Source: U.S. Departments of Commerce and Labor, FRB, FHFA, FHLMC, National Association of Realtors, S&amp;P and Wells Fargo Economics

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