

REAL ESTATE

## Is the housing market finally balancing out?

July 11, 2022



*After months of rising mortgage rates, the housing market may be tuning in favor of buyers. Image credit: Redfin*

By NORA HOWE

Buyers may soon be seeing the light at the end of a very long, dark seller's tunnel as mortgage rates are starting to drop following months of increases.

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According to a recent update from real estate brokerage Redfin, today's buyers are seeing the housing shortage ease, price growth slow, competition decline and mortgage rates drop from their 2022 high. The share of sellers slashing their asking prices hit a record high during the four weeks ending July 3, 2022, and the portion of homes going for above list price fell for the first time since June 2020.

"Conditions for homebuyers are improving," said Daryl Fairweather, chief economist at Redfin, in a statement. "Housing remains expensive, but mortgage rates just posted their biggest weekly drop since 2008, which makes buying a home a bit more affordable.

"One way buyers can take advantage of the shift in the market is seeking concessions from sellers," she said. "That could include asking the seller to buy down your mortgage rate, pay for repairs or cover some of your closing costs."

Good news for buyers

For the week ending July 7, 2022, 30-year mortgage rates fell to 5.3 percent, the largest single-week drop since 2008. This was down from a 2022 high of 5.81 percent but up from 3.11 percent at the start of the year.

According to [Google Analytics](#), fewer people searched for "homes for sale" and searches during the week ending July 2, 2022 were down 2 percent year-over-year.

Redfin's Homebuyer Demand Index, which measures requests for home tours and other home-buying services from Redfin agents, was down 15 percent compared to 2021.

Touring activity, as of July 3, 2022, was down 14 percent from January 2022, the start of the year, compared to a 7 percent increase at the same time last year.

Mortgage purchase applications were down 17 percent from 2021, while the seasonally-adjusted index was down 4 percent week-over-week.



*Rising home prices are causing a number of buyers to drop out, bringing some relief to those who remain. Image credit: Redfin*

Observing the markets in more than 400 U.S. metro areas, Redfin found that the median home sale price was up 13 percent to \$396,000. This growth rate is down from the March peak of 16 percent.

The median asking price of newly listed homes increased 15 percent year over year to \$399,973 but was down 2.1 percent from the all-time high set during the four-week period ending June 5, 2022.

The monthly mortgage payment on the median asking price home hit \$2,342 at the current 5.3 percent mortgage rate, up 40 percent from \$1,668 last year when mortgage rates were 2.9 percent. This is down slightly from the peak of \$2,487 reached during the four weeks ending June 12, 2022.

Pending home sales were down 13 percent y-o-y, the largest decline since May 2020, while new listings of homes for sale were down 1.4 percent from a year earlier.

Active listings, which are defined by the number of homes listed for sale at any point during the period, fell 2 percent compared to 2021, the smallest decline since before the pandemic.

Nearly half, 45 percent, of homes that went under contract had an accepted offer within the first two weeks on the market, down from 49 percent a year prior. Almost a third, 32 percent, of homes that went under contract had an accepted offer within one week of hitting the market, down from 35 percent one year prior.

Homes that sold were on the market for a median of 18 days, flat from a year earlier and up from the 15-day low set in May and early June.

More than half, 52 percent, of homes sold above list price, down from 53 percent in 2021. On average, 7 percent of homes for sale each week had a price drop a record high since 2015.

The average sale-to-list price ratio, which measures how close homes are selling to their asking prices, declined to 101.9 percent, meaning, the average home sold for 1.9 percent above its asking price.



*Luxury home sales fell 18 percent, the latest drop since the start of the pandemic. Image credit: Redfin*

This was down from 102.2 percent in 2021.

Balance on the horizon

In New York, the second half of 2022 will most likely illustrate a more balanced housing market, according to real estate brokerage Compass.

Although sales volume in New York rose to the highest level of the decade in the first six months of this year, diminishing contract activity, increased inventory and a volatile stock market indicate a more balanced market is imminent.

At the beginning of 2022, New York real estate sales were surging. Sales volume in New York reached \$15.6 billion, the highest level in a decade.

Although still balancing out in an exigent landscape, the New York real estate market is seemingly more stable than other areas of the country, with historically and comparatively low interest rates ([see story](#)).

Although it was a seller's market for a sizable stretch, a bit of a shift is occurring.

After dramatic growth in the last year and a half, luxury home sales in the U.S. fell by almost 18 percent for the three months ending April 30, according to Redfin.

Sales plummeted 17.8 percent, the largest decline since luxury home sales dropped by 21.6 percent for the three months ending May 30, 2020, at the onset of the COVID-19 pandemic. The latest drop came amid a stressed market with climbing interest rates, growing inflation and a slipping stock market ([see story](#)).

"The market slowdown is giving buyers more opportunities to negotiate, especially with sellers whose homes have been on the market for a while," said Jessica Nelson, real estate agent at Redfin Columbia, South Carolina, in a statement.

"I tell my sellers that they need to price their homes realistically from the get-go," she said. "If they don't, their home may end up sitting on the market and they may have to drop their price possibly more than once to attract buyers."

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