

Home Prices Hit a Record High

Prices for existing homes rose to \$419,300 in May, and sales slipped for third month in a row

By [Nicole Friedman](#) [Follow](#)

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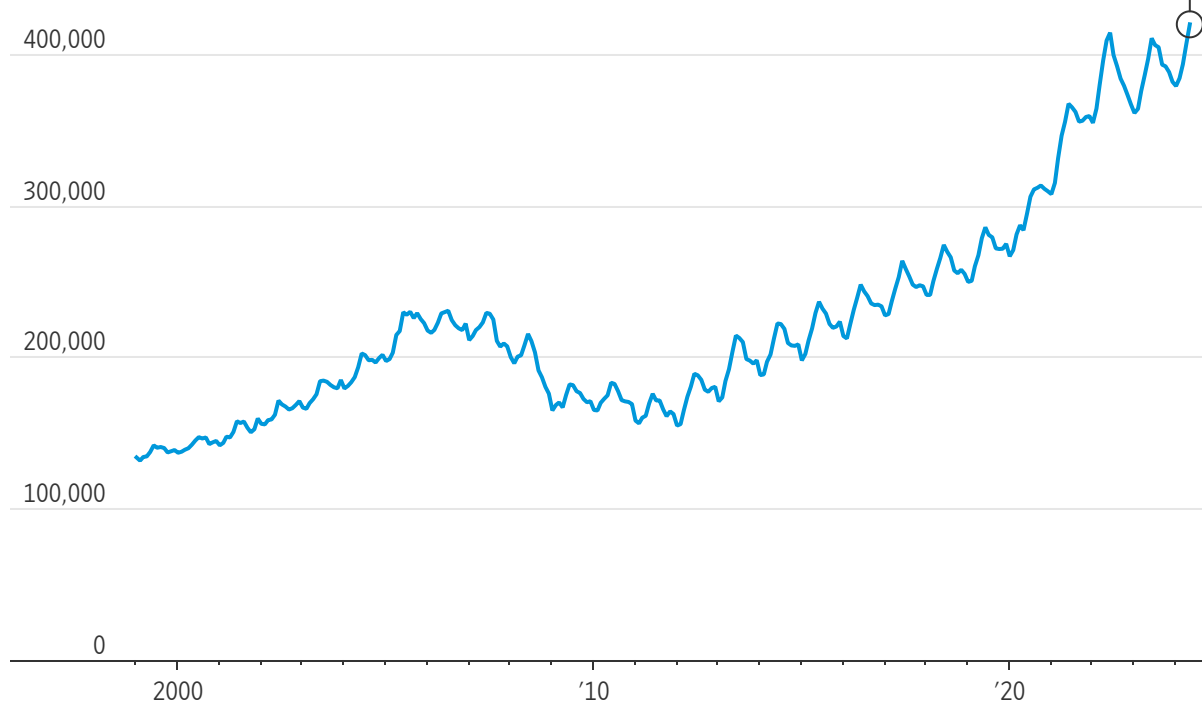
Home prices are still rising because high mortgage rates are deterring potential sellers from listing their homes. PHOTO: CLARISSA BONET FOR THE WALL STREET JOURNAL

Home prices rose in May to a new high, with low inventory continuing to spur bidding wars among home buyers in some markets.

The national median existing-home price in May was \$419,300, a record in data going back to 1999, the National Association of Realtors said Friday. Prices aren't adjusted for inflation.

That was up 5.8% from a year earlier.

Those high prices, paired with elevated mortgage rates, have limited the number of sales this spring—typically the busiest season for home buying.



Note: May 2024 is preliminary.

Source: National Association of Realtors

Sales of previously owned homes decreased 0.7% from the prior month to a seasonally adjusted annual rate of 4.11 million, the third straight monthly decline, NAR said. On an annual basis, existing-home sales, which make up most of the housing market, fell 2.8%.

Even though demand is low, home prices are still rising because high mortgage rates are deterring potential sellers from listing their homes, keeping the supply of homes on the market lower than normal. Sales of high-price homes are also rising faster than sales of midprice or affordable homes, pushing up the median price.

“Somewhat of a strange phenomenon, where we have low home-sales activity yet prices are hitting record highs,” said Lawrence Yun, NAR’s chief economist. “Affordability is a challenge.”

The decline in home sales was less than expected. Economists surveyed by The Wall Street Journal had estimated a drop of 1.4%.

since before the pandemic, Yun said. In February 2020, just before the Covid pandemic, the median price of an existing home was \$270,400.

In late February 2022, just before the Federal Reserve began raising interest rates, the average mortgage rate was 3.89%, according to Freddie Mac. This week, the average rate on a 30-year fixed-rate mortgage was 6.87%.

Still, the limited supply of homes, plus cash buyers who aren't sensitive to mortgage rates, are keeping the housing market competitive. About 28% of existing homes sold in May were purchased in cash, up from 25% a year earlier.



Virginia Pilgrim-Hovey cut the price on a one-bedroom condo in Maryland. PHOTO: JESS BIERCEVICZ

Virginia Pilgrim-Hovey listed her one-bedroom condo in Silver Spring, Md., in January. Buyers toured the property but wanted a bigger unit with space to work from home, she said.

After months went by without an offer, Pilgrim-Hovey cut the price and offered a year of free parking in a nearby garage. "I was starting to get worried," she said.

The condo sold this month.

But when Pilgrim-Hovey and her husband tried to buy a house in

Philadelphia this year, they found that many properties in their price range needed expensive repairs. They decided to keep renting and save for another year.

Due to the change in mortgage rates, "I could have afforded \$100,000 to \$200,000 more of house had I bought in the pandemic," but they weren't in a position to buy at that time, she said. "That does feel very disheartening."

Price gains could slow in coming months if more would-be buyers drop out of their home searches. Just 14% of consumers surveyed by Fannie Mae in May said it was a good time to buy a home, matching the record low in data going back to mid-2010.

“Seven percent seems to be kind of a psychological level” for home buyers, said Doug Duncan, Fannie Mae’s chief economist. “If it ticks below 7%, you get a pickup” in purchase activity, he said. “If it ticks back above 7%, you get a slowdown.”

Homes are sitting longer on the market as some buyers stay on the sidelines, and the inventory of homes for sale is rising, though from very low levels. Nationally, the number of homes for sale or under contract at the end of May rose 6.7% from April and 18.5% from May 2023, NAR said.

Kristine Arlitt’s three-bedroom home in the San Antonio area has sat on the market since November. The potential buyers for her home likely have low rates on their current mortgages and can’t afford to give that up, she said.

“It’s that interest payment and the homeowners insurance—they have skyrocketed,” she said. “I’m going to keep it on the market, but I don’t think it’s going to sell in this market.”

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