



Sellers dropping home prices in droves as real estate market cools

Description

USA: Some American cities saw as much as 70 percent of home sellers dropping their asking prices in July as the housing market continues to cool and buyers back out of the market.

According to data from Redfin, Boise, Idaho, topped the list of 97 metros when it comes to price drops at 70 percent, while second-placed Denver saw 58 percent of homes for sale lowering their prices. Salt Lake City and Tacoma took third and fourth places with 56.4 and 54.8 percent, respectively. The same four areas topped June's list as well.

Rounding out the top ten were Tampa, Sacramento, Indianapolis, Phoenix, San Diego and Portland, Oregon. The percentage of home sellers dropping their prices in these cities ranged from 52.1 percent (Tampa) to 48.3 percent (Portland). More than half of these metros were listed among the 20 housing markets that noted the quickest cooling during the first half of this year following booms during the pandemic.

In Boise, real estate agents are blaming unrealistic expectations when it comes to both sales prices and timelines for the rash of price drops among sellers and home builders alike. In some cases, homeowners were pricing their homes too high after seeing their neighbors sell their homes for exorbitant prices during the pandemic. Many were also hoping to receive multiple offers shortly after listing their home, which is no longer a reality in the current market.

Redfin agent Shauna Pendleton said: "My advice to sellers is to price their home correctly from the start, accept that the market has slowed and understand that it may take longer than 30 days to sell. If someone is selling a nice home in a desirable neighborhood, they shouldn't need to drop their price."

Last month, the national share of homes up for sale that dropped their prices hit a record high as many sellers were forced to drop their prices to appease buyers, who were growing increasingly accustomed to the lower prices of the cooling market.

Inflation and rising mortgage rates are leaving people hesitant

to buy

At the same time, ongoing inflation, increasing mortgage rates and potential drops in home values saw buyers hesitate to pay high prices. A greater number of homes going up for sale also meant that buyers had more choices. Experts believe that the price reductions will flatten out as sellers start to come to terms with the evolving market. Mortgage rates have now surpassed 5 percent and are nearly twice as high as the rates seen in January, compounding an affordability crisis for buyers.

Home sales in the country dropped overall by 19.3 percent in July compared to a year earlier, according to Redfin, with activity hitting its lowest point since the pandemic got underway. Sales have been dropping for six consecutive months.

In a note to clients last week, Pantheon Macroeconomics Chief Economist Ian Shepherdson shared his belief that the market's slump has yet to bottom out. He predicted: "The bottom is still some way off, given the degree to which demand has been crushed by rising rates; the required monthly mortgage payment for a new purchaser of an existing single-family home is no longer rising, but it was still up by 51% year-over-year in July."

Housing affordability has now reached its lowest level in 30 years. Purchasing the average home with a 20 percent down payment and a 30-year mortgage now requires 32.7 percent of the median household income, Black Knight reports; the 25-year average is 23.5 percent.

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1. Economy-Business-Fin/Invest
2. Main
3. NWO-Deep State-Dictatorship-Tyranny
4. Survival-Prepping-Security

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