



Home Sales Rate Is Falling



ZILLOW UPDATE

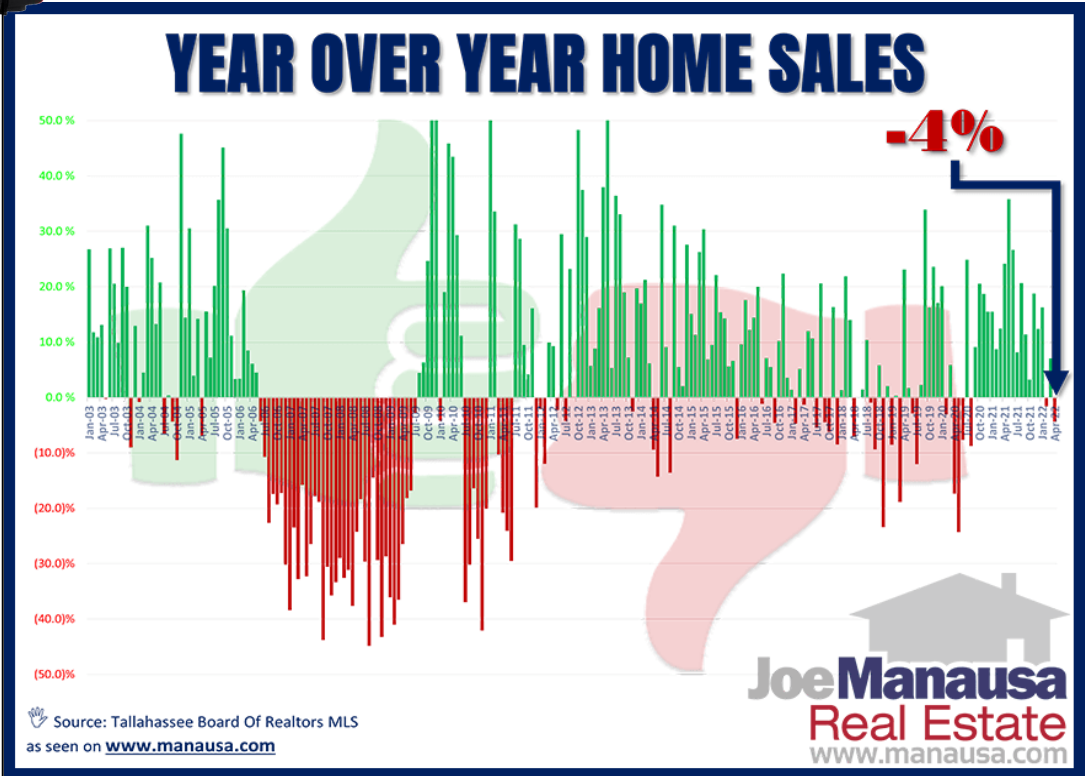


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It was only a 4% decline, nevertheless, the number of home sales declined in April when compared to April of last year. This means that 2 of the four months this year have posted declines while the overall US housing market has posted declines for the past nine months.

The graph above plots the change in year-over-year home sales. Each vertical bar reflects the percentage difference in the number of homes sold each month when compared to the same month the year prior. Green bars register growth while red bars report declines.

It has been nothing but green (growth) since the 9% decline in August of 2020, but a combination of limited inventories and rising mortgage interest rates has the demand side of the housing market reversing direction.

Overall, the market is still up for 2022, but based upon soaring mortgage interest rates and a gross lack of supply of homes, we should expect to declines dominate the remaining months of 2022.

Will Lower Demand Reverse Prices?

Many people assume that declining demand will cause home prices to drop, but that is just NOT going to be the case. Demand is still far greater than supply, and recent reports show that builders will NOT be overbuilding the market any time soon. I expect home prices to continue much higher at an unhealthy rate, dragging both the “for sale” and the “for rent” markets towards unaffordable levels for buyers and tenants. We need to brace ourselves for a market where home affordability tanks and investors take over the buyer side of the market.

