Overview

Housing Market in April 2024

The residential real estate market has experienced a slow start in the second quarter of the year, with home sales activity easing further in April. Although market activity typically increases during spring, rising mortgage rates over the past few months have kept home sales subdued. Nevertheless, home prices continued to increase, surpassing April’s $400,000, a record high. While the market saw an increase in inventory in April, this additional housing stock may boost activity in the coming months. NAR expects inventory to continue to grow steadily from home construction while solid job growth and demographic trends will keep demand strong in the market.

Parsing out by region, in April, the West was the only region where home sales activity exceeded that of the previous year. However, all four regions saw a decline in home sales compared to March, with the Northeast experiencing the largest drop. While home prices continue to increase, the West recorded the highest price gains than any other region, with the typical home worth 9% more than the previous year.

With more homes being completed and mortgage rates likely to fall below 7% in the second half of the year, the housing market is expected to gain momentum in the following months.
Economic Activity

The economy grew at a slower pace in the first quarter of the year. According to the “second” estimate from the Bureau of Economic Analysis (BEA), the real gross domestic product (GDP) increased by 1.3% in Q1 2024, down from a 3.4% increase in the final quarter of 2023. Persistent high interest rates, geopolitical tensions, and a rise in imports contributed to slower economic growth.

The Federal Reserve maintained its short-term interest rate at 5.5% in April, unchanged since August 2023. A further slowdown of inflation expected in the following months may enable the Fed to cut rates in the second half of the year. The Fed aims to reduce inflation to its 2% average target.
Consumer prices rose slower than the previous month by 3.4% in April, remaining lower than the previous year but higher than the Federal Reserve’s target of 2%. The main components keeping inflation above target in April were housing/shelter and gasoline, which combined contributed seventy percent of the monthly increase in the CPI index for all items.

The growth of the U.S. labor market slowed down while the unemployment rate rose to 3.9%. One hundred sixty-five thousand net payroll jobs were added in April, below the average monthly gain of 232,000 over the last 12 months. Based on the revised estimates from the BLS, the construction industry had no job gains this month, following a creation of 37,000 jobs added in March.
In April, the unemployment rate increased slightly to 3.9% in April, and the number of unemployed people also inched up to 6.5 million. However, the unemployment rate has continued to be low – below 4% - for over two years now.

In April, personal consumption expenditures increased slower than the previous month by 0.2%. The $39.1 billion increase in current-dollar spending reflected an increase of $49.1 billion in spending for services, which was partly offset by a $10.0 billion decrease in spending for goods.
In April, the 10-year Treasury rate rose to 4.5% from 4.2% the previous month, causing mortgage rates to increase as well. However, while the Federal Reserve is expected to cut its rate sometime in the second half of the year, NAR predicts that the yield will fall below 4%, presenting favorable conditions for borrowers.

Mortgage interest rates rose to 7.0% in April, slowing down market activity. These higher mortgage rates make borrowing more expensive, keeping home sales near 4 million units. Although still below the rates seen in the fall of 2023, current rates affect the flow of new home buyers into the spring market.
Due to rising mortgage rates, housing market activity declined further in April by 2% compared to the previous month while sales were also 2% lower than the same period a year ago. April’s existing-home sales reached a 4.1 million seasonally adjusted annual rate, down by 80,000 sales from April of last year.

In April, pending home sales fell 7.7% from the previous month, reflecting the impact of higher mortgage rates on homebuying activity. The Pending Home Sales Index (PHS) level for the month of April was 72.3, and March’s level was 78.3. Compared to last month, all four regions (South, West, Northeast, and Midwest) experienced a decrease in contract signings.
In April, new listings rose faster than the previous month. Specifically, new listings increased year-over-year by 13% in April compared to 4.2% in March. The housing stock is growing, and builders continue to add new homes to the market. These additional homes may bring some buyers back to the market.

According to NAR’s Housing Affordability Index, housing affordability weakened further in April compared to the previous month. In fact, the national index fell below 100, which means that the typical family cannot afford to buy the median-priced home because their income is below the qualifying threshold.
The national median existing-home price for all housing types increased to $406,700 in April, up 5.7% from a year earlier. This is a record-high level for the month of April. Regionally, all four regions showed price growth from a year ago, with the West exhibiting the largest gain of 9.3%.

Although home construction is below the historical average of 1.5 million homes, more homes started construction in April compared to the previous month. According to the U.S. Census, the number of housing starts rose to 1.36 million homes in April. This is 5.7% from the revised March estimate of 1.29 million but 0.6% lower than a year ago. Housing completions also increased in April.
April 2024: 1.44 million
March 2024: 1.49 million
April 2023: 1.42 million

However, another measure of housing construction, building permits issued in April, fell to 1.44 million. This is 3.0% below the March rate of 1.49 million, but 1.6% above last year’s rate of 1.42 million.

Inventory has consistently increased since the beginning of the year. In April, the inventory of unsold listings increased by 3.5% compared to the previous months, standing at 1.21 million homes for sale. Compared to last year, inventory levels were up 16.3%. However, even with this increase, demand continues to outpace housing supply, leading to rising home prices.
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For reprint information, contact data@nar.realtor