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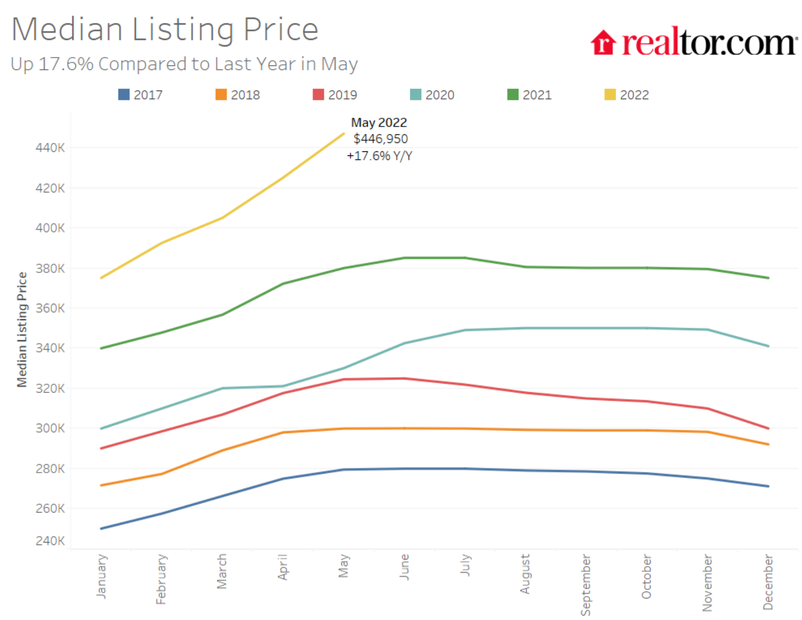
Housing Inventory Grows for First Time in Three Years

New data suggests the U.S. housing market may have hit a turning point in its supply struggle in May, as active inventory recorded the first year-over-year increase since June 2019, according to the latest Realtor.com Monthly Housing Trends Report for May.

Meanwhile, the median national home price surged to an all-time high of $447,000, and buyers snatched up listings a week faster than the same period in 2021.

"Among key factors fueling the inventory comeback are new sellers, who are listing homes at a rate not seen since 2019, as well as moderating demand, with pending listings declining year-over-year in May," said Danielle Hale, Chief Economist for Realtor.com. "While this real estate refresh is welcome news in a still-undersupplied market, it has yet to make a dent in home price growth, partially due to increases in newly-listed, larger homes and because the typical seller outlook is quite high, likely shaped by recent experiences of homeowners who sold. Importantly, as 72% of this year's sellers also plan to purchase a home, seller expectations will likely start to reflect buyers' needs. In an early sign, the rate of sellers making price cuts accelerated in May."



The U.S. inventory of active listings grew year-over-year for the first time since June 2019, with this comeback driven by two key trends:

New listings reached the highest level of any month in nearly three years, as rising numbers of sellers might be more confident in pursuing plans to list than last Spring when COVID vaccines were just rolling out.

Higher housing costs are spurring a moderation in buyer demand, reflected in May's bigger year-over-year declines in pending listings –those at various stages of the selling process that are not yet sold– compared to April, a sign of softening in the turnover rate of for-sale homes.

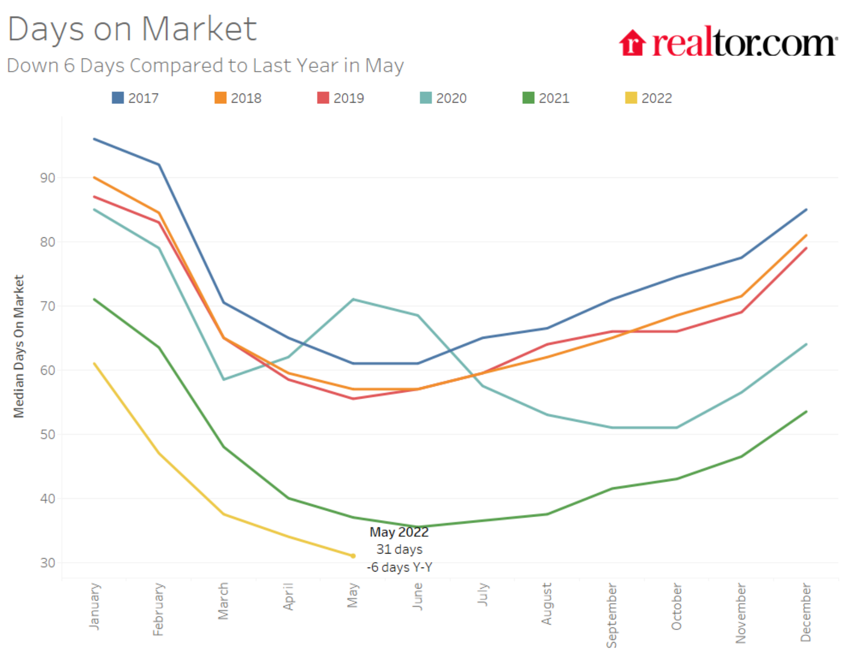
Nationally, the number of active listings increased 8.0% year-over-year in May, but remained 48.5% below typical levels in May 2020 at the onset of COVID.

Compared to last month's year-over-year changes, May's national data showed a significant improvement in the new listings trend (+6.3% vs. 1.3%), and a bigger decline in pending listings (-12.6% vs. -8.7%). Among May's new listings, the share of smaller homes –up to 1750 square feet– declined year-over-year (to 45.7% from 47.3%), while those with 1,750-plus square feet increased from 52.7% to 54.3%.

On average in the 50 largest U.S. markets, active inventory grew by double-digits (+14.9%) over May 2021 levels, with the biggest increases in the West (+33.6%) and South (+18.3%), led by Austin, Texas (+85.8%), Phoenix (+67.1%) and Sacramento, California (+54.6%). Active listings declined on a year-over-year basis in just 8 markets.

Thirty markets posted annual gains in newly-listed homes, with the biggest increases registered in southern metros: Raleigh, N.C. (+27.9%), Nashville, Tennessee. (+22.8%), and Las Vegas (+20.7%). May's increase in for-sale home options combined with softening buyer demand would typically drive a cooldown in home prices, but data shows that is not yet the case. In fact, the yearly growth rate in the U.S. median listing price accelerated from last month's pace as the median listing price approached $450,000 after just crossing the $400,000 threshold in March.

From asking prices per square foot to pending listing prices, May housing trends suggest that a few factors are potentially driving the continued home price surge. These include a rising share of newly-listed, larger homes by square footage and some sellers not yet adjusting to shifting supply and demand dynamics, including buyer interest in less expensive homes.



The U.S. median listing price hit an all-time high of $447,000 in May, rising at a faster year-over-year pace (+17.6%) than last month (+14.2%). On a square foot basis, asking prices for active listings increased 16.2% over May 2021 levels.

In a potential sign of softening buyer demand at the national level, the median listing price of a typical pending listing decelerated in May over April, to a yearly rate of 16.2% from 17.2%. Additionally, the national share of listings that had their price reduced jumped to 10.5% in May from 7.0% in April, but the rate remains well below typical pre-COVID levels.

Active listing prices in the nation's largest metros grew by an average of 13.0% compared to last year in May, with the biggest gains recorded in Miami (+45.9%), Nashville (+32.5%), and Orlando, Fla. (+32.4%).

In May, median listing prices were down year-over-year in just six large markets, which were: Pittsburgh (-10.5%), Rochester, N.Y. (-9.7%), Cincinnati (-9.6%), Cleveland (-2.3%), Detroit (-1.8%), and Buffalo, N.Y. (-1.2%).

Like norms one would expect to see in home price trends, the increase in for-sale home options combined with softening buyer demand would typically drive a deceleration in time on market. However, time on market data did not yet show this trend in May, as buyers snatched up listings more quickly than in any month in the Realtor.com data history going back to July 2016 – a record that typically isn't hit until the summer season.

For some homebuyers who have yet to be priced out of the market but can't afford to compete by making a larger down payment, acting quickly might give them an edge. In May, the typical U.S. home spent 31 days on the market, a full week less (-6 days) than last year, and down 27 days compared to typical May 2017 to 2019 timing.

Across the 50 largest U.S. metros, the typical home spent 26 days on market, down six days year-over-year, with the biggest declines registered in the South (-7 days).

At the market level, homes saw the greatest yearly decline in time spent on market in Miami (-28 days), followed by a three-way tie between Hartford, Connecticut, Seattle and San Jose, California (-12 days).