Housing Summer Slowdown Continues

Matt Harris, CFA
HilltopSecurities Asset Management
Senior Portfolio Advisor
Senior Vice President
512.340.1845
matt.harris@hilltopsecurities.com

Scott McIntyre, CFA
HilltopSecurities Asset Management
Co-Head of Investment Management
Managing Director
512.481.2009
scott.mcintyre@hilltopsecurities.com

Greg Warner, CTP
HilltopSecurities Asset Management
Co-Head of Investment Management
Managing Director
512.481.2012
greg.warner@hilltopsecurities.com

The housing market continues to lose momentum this summer, a season typically considered the strongest for real estate. Longer daylight hours, favorable weather, and the desire of many families to relocate before the new school year contribute to peak housing activity during the summer months.

Yesterday, existing home sales fell 2.7% to an annualized pace of 3.93 million units, the lowest in ten months and below the consensus estimate of 4 million. The decline was driven by a 3% drop in single-family sales, while condo sales remained unchanged. Sales continue to lag well behind the pre-COVID annual pace of approximately 5 million units and the COVID peak of 6.5 million.

Today's new home sales report also came in below expectations. While a 4.3% MoM increase was anticipated, actual sales rose only 0.6% to an annualized pace of 627k units. Builders continue to offer incentives such as mortgage rate buydowns and closing cost assistance to attract buyers.

Affordability remains a major headwind for the housing market. Mortgage rates continue to hover near 6.8% , while home prices push higher. In June, the median existing home price reached a record $435k, up 2.0% YoY. Although the pace of appreciation has moderated, affordability remains severely strained. The monthly principal and interest payment on a median-priced home now stands at approximately $2,250, *more than double the cost in 2019*.

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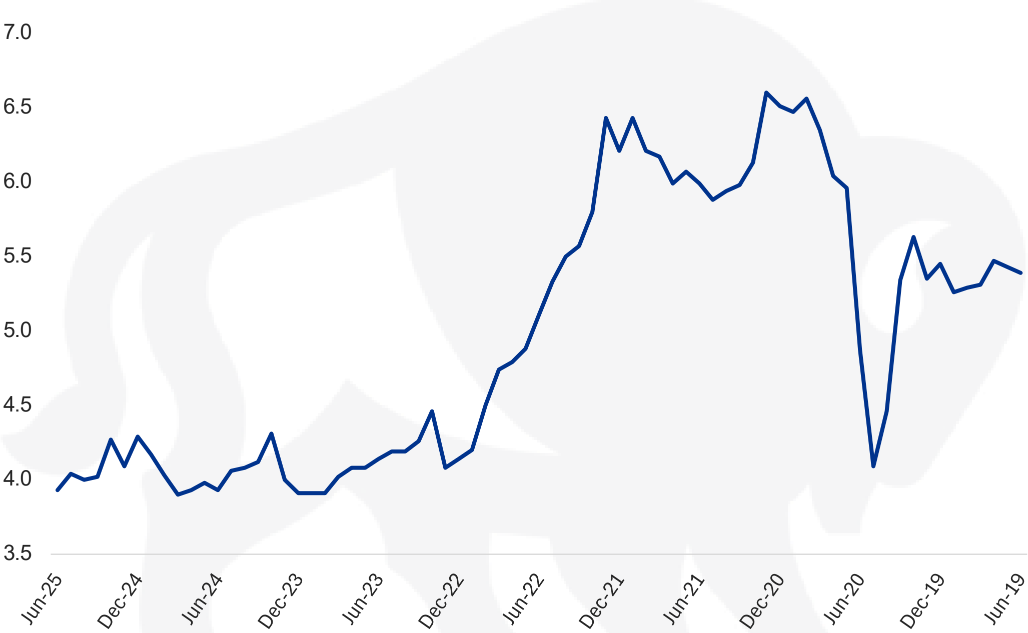
US Existing Home Sales (Seasonally adjusted annual rate, millions)



Source: National Association of Realtors

The price increases have happened despite the existing home supply rising 15.9% in the past year. Available inventory has increased to 1.5 million units, the highest level since the pandemic lows. Listings are staying on the market longer, with the average days now at 58, compared to 40 in 2021. This reflects reduced urgency among buyers. The mortgage lock-in effect continues to limit resale activity, as many homeowners are reluctant to give up ultra-low mortgage rates secured before 2022.

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Rising costs are adding additional pressure. Insurance premiums and repair expenses have surged, particularly in Florida and Texas, prompting some owners to list properties they might otherwise have held. At the same time, domestic migration to Sunbelt states has slowed, easing demand in previously overheated markets. Stricter return-to-office policies are also prompting some remote workers to relocate, further shifting regional housing dynamics.

Building completions have fallen to their lowest level since January 2022, which bodes poorly for the housing component of second-quarter GDP. The Atlanta Fed's GDP Now model currently estimates a 7% decline in residential investment for the quarter. With both new and existing home sales still well below pre-pandemic levels, the sector continues to act as a drag on the economy.

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Housing price updates are due next Tuesday. The FHFA House Price Index is expected to contract 0.4% MoM, while the Case-Shiller Home Price Indices are also projected to show a monthly decline but remain up 2.7% YoY.

US New Home Sales (Seasonally adjusted annual rate, thousands)

Source: US Census Bureau

With both new and existing home sales still well below pre-pandemic levels, the sector continues to act as a drag on the economy.

Market Indications as of 12:04 P.M. Central Time

DOW	Down -205 to 44,805 (HIGH: 45,014)
NASDAQ	Up 45 to 21,065 (NEW HIGH)
S&P 500	Up 9 to 6,368 (NEW HIGH)
1-Yr T-bill	current yield 4.10%; opening yield 4.07%
2-Yr T-note	current yield 3.92%; opening yield 3.88%
3-Yr T-note	current yield 3.87%; opening yield 3.83%
5-Yr T-note	current yield 3.96%; opening yield 3.93%
10-Yr T-note	current yield 4.40%; opening yield 4.38%
30-Yr T-bond	current yield 4.94%; opening yield 4.94%