



Decline In Year-Over-Year Home Sales

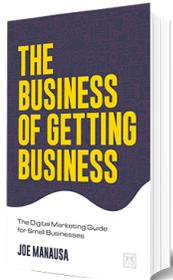


Are There Too Many New Homes?

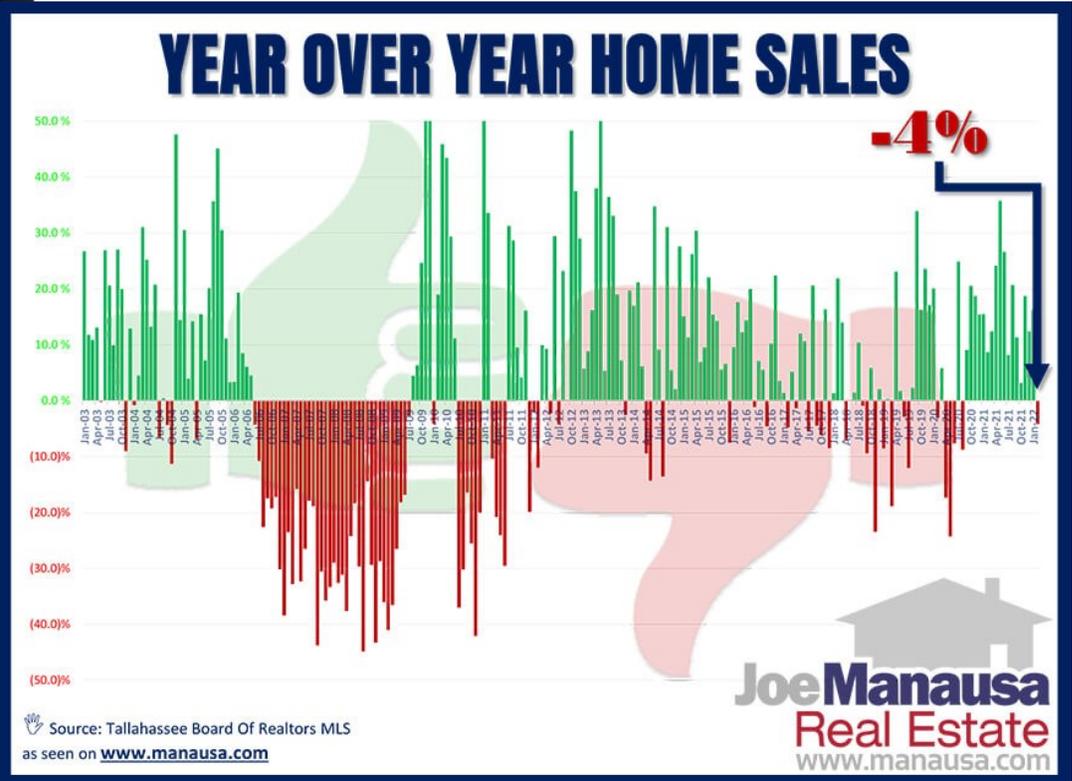


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It was only a 4% decline, nevertheless, the number of home sales declined in February when compared to February of last year. This is the first decline in a year and a half, and I believe it's the start of declining home sales that most US markets have been experiencing for the past six 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.

One month does not make a trend, but I suspect that we'll see more than half of the months of 2022 show declines unless we see softening in the economy and a resulting decline in mortgage interest rates (I'm doubtful that we'll see rates decline though).

How Demand Will Impact Prices

Many people believe 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.

