ECONOMIC UPDATE

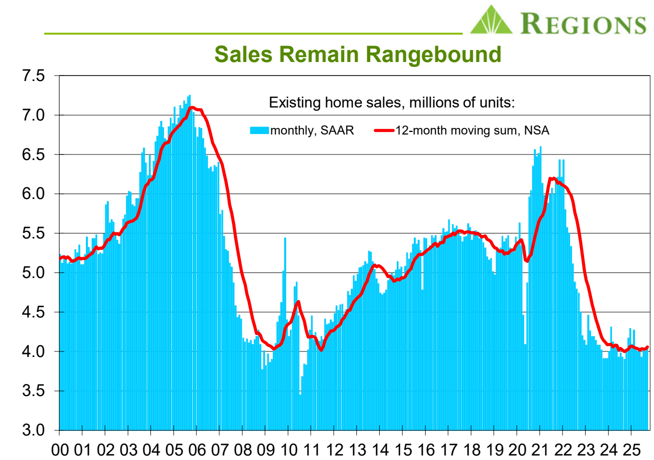
REGIONS

October 23, 2025

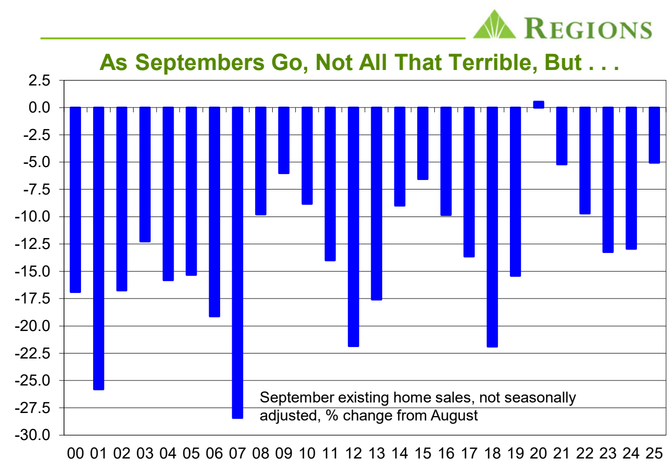
September Existing Home Sales: Sales Remain Rangebound

- Existing home sales rose to an annualized rate of 4.06 million units in September from August's sales rate of 4.00 million units
- Months supply of inventory stands at 4.6 months; the median existing home sale price rose by 2.1 percent year-on-year

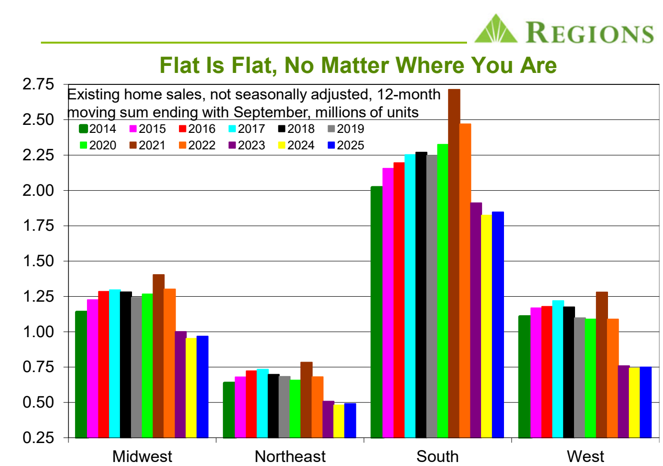
Total existing home sales rose to an annual rate of 4.06 million units in September, matching our forecast. At least kind of. Not seasonally adjusted sales, at 357,000 units, were stronger than our forecast of 348,000 units; that the headline sales number matched our forecast simply means the September seasonal factor was less generous than we had anticipated. Keep in mind that existing home sales are booked at closing, so September closings mostly reflect sales contracts signed from late July through August, a period over which mortgage interest rates drifted modestly lower. This may have prompted some buyer activity, but the modest downward drift in mortgage interest rates did little to alleviate affordability constraints, particularly in conjunction with prices remaining elevated. To that point, the median existing home sales price was up 2.1 percent year-on-year in September. This is of course not an ideal gauge of house prices, and there are markets in which there have been meaningful declines in house prices, though in most of these cases this simply gives back some of the robust house price appreciation seen over prior years. Our view all along has been that it will take more meaningful declines in mortgage interest rates and/or more meaningful declines in house prices to break the trend sales rate out of what over the past two years has been a notably narrow range. Contrary to typical seasonal patterns, inventories of existing homes for sale rose in September, leaving them up 14.0 percent year-on-year, the nineteenth straight month with a double-digit year-on-year increase. At September's sales rate, it would take 4.6 percent months to clear the inventory of existing homes for sale, still below what would be consistent with a balanced market but the market has nonetheless been closer to that point over the past several months than had been the case for several years.



As noted above, the not seasonally adjusted data show sales of 357,000 units in September, down 5.1 percent from August but up 8.2 percent year-on-year. While the over-the-year increase is flattered by there having been one more sales day this September than last, adjusting for that differential still leaves sales up 3.0 percent year-on-year. As our middle chart shows, unadjusted sales typically fall in the month of September, the only exception since 2000 being 2020, but this September's decline is the smallest of any September over this span. This could go to our point that the downward drift in mortgage rates between late-July and the end of August drew out buyer activity. The weekly data on applications for purchase mortgage loans have shown some sensitivity to dips in mortgage interest rates, but a better test of that will come with the October existing home sales data, which will capture the sharper declines in mortgage interest rates seen in September. To our point about sales having been rangebound over the past two years, even a strong September showing was not enough to break the trend sales rate out of this fairly narrow range, as can be seen in our top chart. The bottom chart makes that same point looking at trend sales across each of the four broad regions for which data are reported. Our view is that this reflects a market in which ongoing inventory constraints, even if less so than had been the case, and ongoing affordability constraints add up to a somewhat static market. Lower mortgage interest rates would help on both fronts, freeing up more buyers "locked in" place by the low mortgage rates on their current loans and easing the affordability constraints keeping many prospective buyers on the sidelines. We're not sure, however, that we'll see large enough declines in mortgage rates to make meaningful differences on either the supply side or the demand side.



At this point, however, any little bit will help, and to some extent we see that in the sales data. On the pricing front, we have seen more and more sellers reducing asking prices in order to facilitate sales. It is important to note that lowering an asking price need not mean the seller is taking a loss on their sale, and the longer a given owner has been in their home the less likely that is given the cumulative price appreciation seen over recent years. One impetus for cuts in asking prices has been that homes are sitting on the market longer before going under contract; in September, the median days on market rose to thirty-three days. While many are pointing to rising days on market as a sign of a weak market, we'll point out that time on market has merely returned to where it was prior to the onset of the pandemic, which we see as another manifestation of the static market we've been pointing to.



Regions Financial Corporation, 1900 5th Avenue North, 17th Floor, Birmingham, Alabama 35203
Richard F. Moody, Chief Economist • 205.264.7545 • richard.moody@regions.com