

# Existing-home sales tally banner year after 12 months of epic demand

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A staggering 6.12 million existing homes changed hands in 2021, hitting a stratospheric high not seen since 2006, according to data released Thursday by the National Association of Realtors.

Existing-home sales soared 8.5 percent from 2020, itself a year that experienced unprecedented demand that few at the time predicted would be repeated.

For the month of December, existing-home sales decreased 4.6 percent from November to a seasonally adjusted annual rate of 6.18 million in December, the real estate trade organization reported. Existing-home sales dropped 7.1 percent in December 2021 compared to December 2020, according to NAR.

However, that month-over-month dent in sales was a reflection of inventory setbacks, not a change in course, NAR Chief Economist Lawrence Yun said.

“December saw sales retreat, but the pull back was more a sign of supply constraints than an indication of a weakened demand for housing,” Yun said in a statement. “Sales for the entire year finished strong, reaching the highest annual level since 2006.”

Sales are anticipated to slow a bit moving deeper into 2022, however, with mortgage rates on the rise, Yun noted. But he added that employment gains in recent months as well as stricter underwriting standards will “ensure home sales are in no danger of crashing.”



Lawrence Yun

“This year, consumers should prepare to endure some increases in mortgage rates,” Yun said. “I also expect home prices to grow more moderately by 3 percent to 5 percent in 2022, and then similarly in 2023 as more supply reaches the market.”

Total inventory hit an all-time low in December of 910,000 units, down 18 percent from November, and down 14.2 percent year over year. That inventory represents a 1.8-month supply, down from 2.1 months in November and down from 1.9 months in December 2020.

The median existing-home price was up 15.8 percent year over year from \$309,200 in December 2020 to \$358,000 in December 2021, marking the 118th straight month of annual existing-home price increases (the longest stretch on record).

Homes stayed on the market for 19 days, up from 18 days in November and down from 21 days the year before. Over the course of December, 79 percent of homes sold were on the market for less than one month.

First-time homebuyers saw an end-of-year surge with the threat of increasing mortgage rates looming. The demographic made up 30 percent of sales in December, up from 26 percent the month before and down from 31 percent in December 2020.

Individual investors and second homebuyers made 17 percent of existing-home purchases in December, up from 15 percent the month before and up from 14 percent the year before. All-cash sales made up 23 percent of transactions in December, down slightly from 24 percent the month before and up from 19 percent in December 2020.

Foreclosures and short sales made up less than 1 percent of sales throughout the month, equal to the month and year prior.

On the mortgage side, the average commitment rate for a 30-year, conventional, fixed-rate mortgage was 3.10 in December, up from 3.07 the month prior, according to data from Freddie Mac. For all of 2021, the average commitment rate was 2.96 percent.

Single-family sales declined 4.3 percent from the previous month to a seasonally adjusted annual rate of 5.52 million in December. Those sales were also down by 6.8 percent year over year. Meanwhile, the median existing single-family home price rose 16.1 percent year over year to \$364,300.

Existing condo and co-op sales were down 7 percent from November to 660,000 units in December, which was also down 9.6 percent from the previous year. The median existing condo price was up 11.9 percent from December 2020 to \$305,100.

## By region

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The West saw the greatest drop in existing-home sales, with sales declining 6.8 percent to an annual rate of 1,230,000 in December, which was also down 10.2 percent year over year. The median price rose 8.4 percent year over year to \$507,100.

In the South, existing-home sales decreased 6.3 percent from the month before and 5.3 percent from the year before to an annual rate of 2,700,000. The median price was up a whopping 20.2 percent from the year before to \$323,000.

Both the Northeast and Midwest saw a decline in existing-home sales of 1.3 percent from November. The Northeast registered an annual rate of 750,000, down 15.7 percent year over year, while the Midwest posted an annual rate of 1,500,000, down 2.6 percent from the year prior. The median price in the Northeast rose 6.3 percent from the year before to \$384,600 and the median price in the Midwest rose 10.0 percent year over year to \$256,900.

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