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## Housing Market Slows, But Home Prices Climb to Record High

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Despite a notable drop in home sales, housing prices in the United States surged to a new all-time high in June, painting a puzzling picture for many buyers and sellers. While sales figures signal a market slowdown, the demand at the upper end, combined with persistent supply constraints, continues to push prices up.

According to the National Association of Realtors (NAR), the median price for an existing home climbed to \$435,300 last month, surpassing the previous peak set in June 2024. Yet,

seasonally adjusted sales were down 2.7% from May, marking the slowest pace in nine months.

This disconnect between slowing activity and rising prices reflects deep divides in the current market. “Today’s housing market is really haves and have-nots,” said Jessica Lautz, deputy chief economist at the NAR. Buyers with significant equity or cash reserves are still moving, while first-time and middle-income buyers are increasingly sidelined.

Indeed, wealthier buyers and those selling high-value properties have an advantage. Many are leveraging equity or simply purchasing with cash, a trend evident in the 29% share of all-cash transactions recorded last month. Lautz added, “Those who have housing equity can make housing trades right now. Many of them are doing so even with an all-cash purchase.”

While sales declined broadly, the high-end segment told a different story. Homes priced over \$1 million saw a decline in sales compared to a year ago. Rising wages and strong stock market gains are allowing a select group of buyers to remain active in an otherwise cooling market.

Still, the situation is increasingly challenging for first-time buyers. Although they made up 30% of June transactions, the median home price is now nearly 50% higher than it was five years ago. Some are scraping together funds with family help, while others are simply giving up.

Mortgage rates remain a major barrier. The current average 30-year fixed rate sits at 6.81%, pricing many out of the market. “It is pricing out buyers,” Lautz said. She also pointed to the “lock-in effect,” discouraging current homeowners from selling: those with sub-4% mortgages are unwilling to trade up to a far costlier rate unless they have substantial equity.

Paradoxically, any future rate drop could bring a fresh wave of demand and further drive up prices. Lautz cautioned, “A lot of people who have been pushed to the sidelines who can’t afford today’s market are going to come in. And that’s going to be quite difficult for someone who is trying to come in as a first-time homebuyer to be able to compete.”

It’s worth noting that prices aren’t climbing everywhere. Using a resale comparison method, real estate firm Redfin found prices declined in 30 of the 50 largest metro areas, with Washington, D.C., Austin, and San Diego seeing the steepest drops. Redfin’s senior market

manager in the capital, Marshall Park, cited affordability concerns and federal job cuts as contributing factors.

Interestingly, new homes are increasingly undercutting older ones in price. The median sale price for new single-family homes in June was \$401,800, about \$33,500 less than the median price of existing homes. Builders are offering smaller homes and discounts to entice entry-level buyers. According to the National Association of Home Builders, 38% of builders reduced prices in July, the highest figure since 2022.

However, elevated borrowing costs are weighing on new construction. Single-family housing starts fell to an 11-month low, while permits dropped to levels not seen in over two years. With future supply growth stalling, affordability relief may remain elusive.