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May Home Sales Fall 15% as Prices Reach New Peak

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– Categories: Real Estate



U.S. home sales dropped sharply in May, falling 15% below long-term seasonal norms as buyers continued to grapple with high mortgage rates and record-breaking prices. The national median sale price hit an all-time high, despite growing evidence that appreciation is cooling off.

May's housing market showed few signs of recovery. According to nationwide data compiled from property analytics firm Attom, 341,477 homes, including both new construction and existing units, were sold in May. That marked an 11% drop from the same

month last year and placed sales well below the typical May average of 399,972 transactions since 2005.

This made May 2025 the sixth-slowest May for home sales in the past 21 years. Over the last 12 months, a total of 3.94 million homes were sold, which is 10% under the two-decade average. The sustained sluggishness has become the defining trait of the post-pandemic housing landscape.

Market Pressure

Buyers who remain in the market are paying record-setting prices. The national median selling price climbed to \$367,000 in May, nudging past the previous peak of \$365,000 recorded in June 2024. While this figure might suggest a hot market, a deeper look tells a different story.

Home values have appreciated at an average annual rate of 7.4% over the past six years. However, in the last 12 months, the median price has increased by only 2%, marking one of the weakest yearly gains in two years. May's figure represents the second-slowest 12-month price growth over the past two years.

Despite the flattening pace of appreciation, the affordability crisis shows no signs of letting up.

Mortgage costs remain a primary barrier to ownership. The average interest rate for a 30-year fixed mortgage was 6.8% during the three months ending in May, slightly below the 7.1% average in May 2024. But these rates are still far above pre-pandemic levels, when the average rate hovered around 4.1%. In contrast, historical lows were seen in January 2021 at 2.7% and December 2012 at 3.4%.

At today's rates, the monthly mortgage payment for a median-priced home with a 20% down payment has reached approximately \$2,397. That is the third-highest monthly cost on record. Although that figure is 0.5% lower than a year ago, it is still 108% higher than it was six years ago.

Buyers are also struggling with upfront costs. A 20% down payment on the current median home price translates to \$73,400. That is an amount many prospective homeowners simply cannot afford amid persistent inflation and wage stagnation.

Economic uncertainty continues to weigh on potential buyers as inflationary pressures, elevated interest rates, and a tight supply of affordable homes combine to discourage entry into the market. While some experts anticipate a shift in Federal Reserve policy could offer some relief, for now, the cost of ownership remains historically high.

Unless wages catch up or borrowing conditions ease, home sales may continue their downward trend, despite the fact that those still buying are paying top dollar.