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Housing Prices Surge Despite Slump in Sales Activity

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The United States housing market continues to puzzle analysts and buyers alike as home prices reach new records, even as sales activity slows to levels not seen in nearly a year. According to the National Association of Realtors (NAR), the median price for an existing home climbed to \$435,300 in June 2025, surpassing the previous peak recorded in June 2024. Yet, overall home sales fell by 2.7 percent from

the previous month, reaching a nine-month low on a seasonally adjusted basis.

This apparent contradiction is being driven by a stubbornly persistent issue: an acute shortage of available homes. While high interest rates and inflationary pressures have discouraged many buyers, they have also kept current homeowners from selling, as many are locked into low-rate mortgages secured during the pandemic years. This has led to a tight inventory environment, where too few homes are chasing still-significant buyer demand, especially in suburban and Sun Belt markets. As a result, prices remain elevated despite a clear slowdown in transaction volume.

Economists point to supply-side constraints and regulatory red tape as key culprits in the ongoing affordability crisis. Local zoning restrictions, high construction costs, and permitting delays have all contributed to the limited growth in housing stock. Lawrence Yun, chief economist at NAR, noted, “We simply do not have enough homes on the market to meet demand. Until that changes, prices will continue to be under upward pressure.” This supply problem, not demand excess, is keeping the market artificially strained and pricing out potential first-time buyers.

For policymakers, the contradiction between declining sales and record prices is a call to revisit the fundamentals of housing policy. Rather than doubling down on demand-side subsidies or short-term interest rate interventions, a long-term strategy focused on freeing up land use regulations, encouraging private development, and cutting red tape is needed. The current market illustrates how overregulation and policy stagnation can lead to economic distortion. If leaders are serious about restoring affordability and encouraging homeownership for the next generation, addressing the structural barriers to housing supply must take

center stage. Without this, Americans will continue to face a paradoxical housing market, one where fewer homes are being sold, but the cost of buying one has never been higher.

