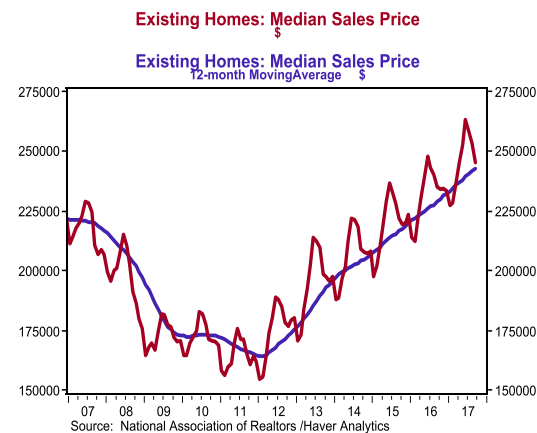
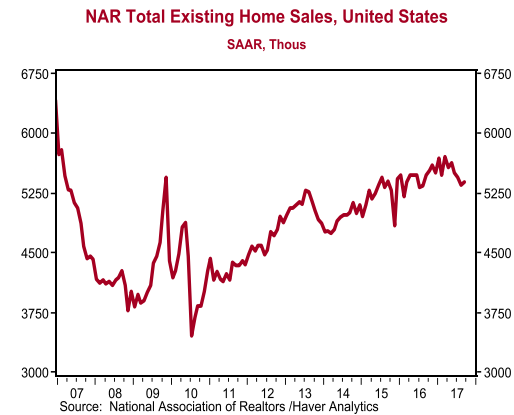


# September Existing Home Sales

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- Existing home sales rose 0.7% in September to a 5.39 million annual rate, beating the consensus expected 5.30 million. Sales are down 1.5% versus a year ago.
- Sales in September rose in the West and Midwest, remained unchanged in the Northeast, and declined the South. The gain was due to an increase in sales of single-family homes. Sales of condos/coops fell in September.
- The median price of an existing home declined to \$245,100 in September (not seasonally adjusted) but is up 4.2% versus a year ago. Average prices are up 3.5% versus last year.
- The months' supply of existing homes (how long it would take to sell the entire inventory at the current sales rate) remained unchanged at 4.2 months in September. The faster pace of sales was offset by an increase in inventories.



**Implications:** After falling for three straight months, existing home sales eked out a gain in September, despite continued downward pressure from hurricanes and low inventory levels. Sales of previously-owned homes rose 0.7% in September to a 5.39 million annual rate, but are still down 1.5% from a year ago. All of September’s gain was due to single-family home sales, with closings for coops/condos down slightly for the month. For the time being, it’s tough getting a read on the underlying trend in existing home sales. Existing home sales are counted at closing and, by making it tougher to look for homes in the South in August and September, Hurricanes Harvey and Irma may keep putting downward pressure on closings through November. That’s why we’re not concerned that closings are down 1.5% from a year ago. Once we start getting “clean” reports again, we expect an upward trend in sales to re-emerge. That said, a major headwind for sales has been the decline in inventories, which have now fallen on a year-over-year basis for 28 consecutive months and are down 6.4% from a year ago. This has also affected the months’ supply of existing homes – how long it would take to sell the current inventory at the most recent sales pace – which was 4.2 months in September, down from 4.5 months a year ago. According to the NAR, anything less than 5.0 months is considered tight supply, a benchmark which hasn’t been exceeded since November 2015. Despite the lack of options, demand for existing homes has remained remarkably strong, with 48% of homes sold in September remaining on the market for less than a month. Higher demand and a shift in the “mix” of homes sold toward more expensive properties has also driven up median prices, which have now risen for 67 consecutive months on a year-over-year basis. The strongest growth in sales over the past year is heavily skewed towards the most expensive homes, signaling that supply constraints may be disproportionately hitting the lower end of the market. Tough regulations on land use raise the fixed costs of housing, tilting development toward higher-end homes. Although some analysts may be concerned about the impact of higher mortgage rates, it’s important to recognize that rates are still low by historical standards, incomes are growing, and the appetite for homeownership is eventually going to move higher again. On the employment front, initial jobless claims fell 22,000 last week to 222,000, the lowest reading since 1973. Continuing claims fell 16,000 to 1.89 million. These figures suggest a very strong rebound in job creation in October. In other news, the Philly Fed Index, a measure of sentiment among East Coast manufacturers, rose to +27.9 in October from +23.8, signaling further optimism in the factory sector.

Existing Home Sales	Sep-17		Aug-17	Jul-17	3-month	6-month	Yr to Yr
	% Ch.	level	level	level	moving avg.	moving ave.	% Change
<i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>							
<b>Existing Home Sales</b>	0.7%	5390	5350	5440	5393	5478	-1.5
<b>Northeast</b>	0.0%	720	720	650	697	727	-1.4
<b>Midwest</b>	1.6%	1300	1280	1250	1277	1298	-1.5
<b>South</b>	-0.9%	2130	2150	2280	2187	2237	-2.3
<b>West</b>	3.3%	1240	1200	1260	1233	1217	0.0
<b>Median Sales Price (\$, NSA)</b>	-3.2%	245100	253100	258100	252100	252850	4.2

Source: National Association of Realtors