

October Existing Home Sales

Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Economist

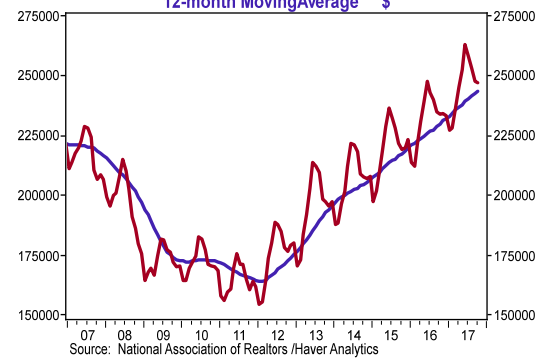
- Existing home sales rose 2.0% in October to a 5.48 million annual rate, beating the consensus expected 5.40 million. Sales are down 0.9% versus a year ago.
- Sales in October rose in every major region. The gain was mostly due to an increase in single-family homes; condos/coops rose slightly, as well.
- The median price of an existing home declined to \$247,000 in October (not seasonally adjusted) but is up 5.5% versus a year ago. Average prices are up 4.7% versus last year.
- The months' supply of existing homes (how long it would take to sell the entire inventory at the current sales rate) declined to 3.9 months in September. The decline in month's supply was due to both a faster pace of sales and a decline in inventories.

NAR Total Existing Home Sales, United States
 SAAR, Thous



Existing Homes: Median Sales Price

Existing Homes: Median Sales Price
 12-month Moving Average



Implications: Despite tight inventories and rising prices, existing home sales rose in October at the fastest pace since March. Sales of previously-owned homes increased 2.0% in October to a 5.48 million annual rate, but are still down 0.9% from a year ago. The pickup in activity was broad-based, with sales rising in all major regions and for both single-family homes and condos/coops. For the time being, it's still tough getting a read on the underlying trend. While activity has picked up over the past two months, the impacts of Hurricanes Harvey and Irma – which prevented many people from searching for homes and thus the number of closing over following months - may keep putting downward pressure on existing home sales through November. That's why we're not concerned that closings are down 0.9% from a year ago. Once we start getting "clean" reports again, we expect to see a return to the upward trend in sales in place over recent years. That said, a major headwind for sales has been the decline in inventories, which have now fallen on a year-over-year basis for 29 consecutive months and are down 10.4% from a year ago. The number of existing homes for sale declined 3.2% in October to 1.80 million. Paired with the rising pace of sales, this pushed the months' supply of existing homes – how long it would take to sell the current inventory at the most recent sales pace – to 3.9 months in October, down from 4.4 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 47% of homes sold in October 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 68 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 starting to move higher again.

Existing Home Sales	Oct-17		Sep-17	Aug-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>							
Existing Home Sales	2.0%	5480	5370	5350	5400	5462	-0.9
Northeast	4.2%	740	710	720	723	727	0.0
Midwest	0.8%	1310	1300	1280	1297	1290	-1.5
South	1.9%	2160	2120	2150	2143	2213	-1.8
West	2.4%	1270	1240	1200	1237	1232	0.8
Median Sales Price (\$, NSA)	-0.2%	247000	247600	253100	249233	253600	5.5

Source: National Association of Realtors