

July Existing Home Sales

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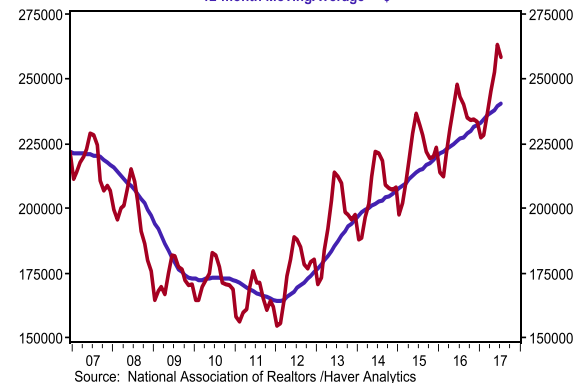
- Existing home sales declined 1.3% in July to a 5.44 million annual rate, below the consensus expected 5.55 million. Sales are up 2.1% versus a year ago.
- Sales in July fell in the Northeast and Midwest, but rose in the West and the South. The overall drop was due to a decline in sales of both single-family homes and condos/coops in July.
- The median price of an existing home declined to \$258,300 in July (not seasonally adjusted) but is up 6.2% versus a year ago. Average prices are up 4.9% 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 July. The slower pace of sales was offset by 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: Existing home sales fell modestly in July as high prices and a lack of selection continued to inhibit would be buyers. Sales of previously-owned homes fell 1.3% in July to a 5.44 million annual rate, but are still up 2.1% from a year ago. Home sales are volatile from month to month, but we expect the general upward trend of the past several years to keep going. One major headwind for sales has been the decline in inventories, which have now fallen on a year-over-year basis for 26 consecutive months and are down 9% from a year ago. The inventory of single-family homes is now the lowest for any July since 1994. 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 July, down from 4.8 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 July marking the fourth consecutive month where a typical listing was sold in under 30 days. 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 65 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. The NAR suggests that strong demand could also be pushing some properties into higher brackets as multiple offers boost final sales prices. 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 this morning, initial jobless claims rose 2,000 to a still low 234,000, while continuing claims remained unchanged at 1.95 million. It's still early, but plugging these figures into our models suggests a nonfarm payroll gain of 189,000 in August, another solid month.

| Existing Home Sales | Jul-17 | | Jun-17 | May-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 | -1.3% | 5440 | 5510 | 5620 | 5523 | 5550 | 2.1 |
| Northeast | -14.5% | 650 | 760 | 780 | 730 | 727 | -1.5 |
| Midwest | -5.3% | 1250 | 1320 | 1280 | 1283 | 1287 | -1.6 |
| South | 2.2% | 2280 | 2230 | 2340 | 2283 | 2317 | 3.6 |
| West | 5.0% | 1260 | 1200 | 1220 | 1227 | 1220 | 5.0 |
| Median Sales Price (\$, NSA) | -1.9% | 258300 | 263300 | 252500 | 258033 | 247317 | 6.2 |

Source: National Association of Realtors