

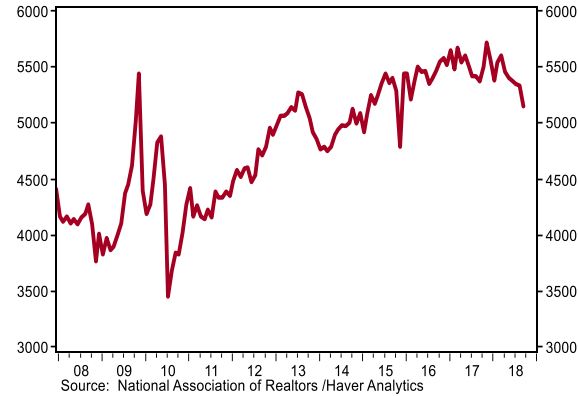
September Existing Home Sales

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

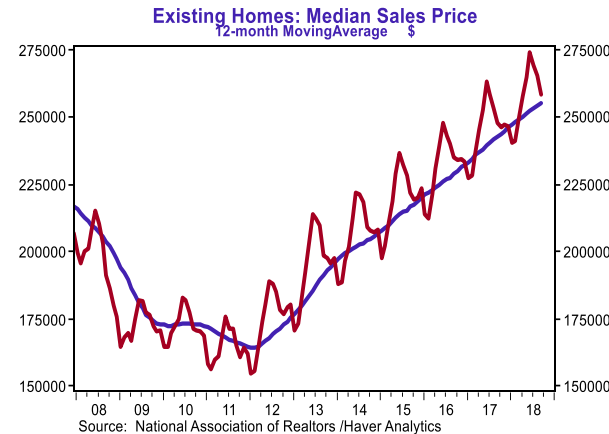
- Existing home sales declined 3.4% in September to a 5.15 million annual rate, below the consensus expected 5.29 million. Sales are down 4.1% versus a year ago.
- Sales in September fell in the South, West, and Northeast, but remained unchanged in the Midwest. Sales of both single-family homes and condos/coops fell in September.
- The median price of an existing home fell to \$258,100 in September (not seasonally adjusted) but is up 4.2% versus a year ago. Average prices are up 2.5% versus last year.

Implications: Existing home sales continued to suffer in September, falling for the sixth consecutive month to the slowest pace in nearly three years. It looks like Hurricane Florence may have played a major role in the September decline, with sales in the South (where the storm made landfall) dropping 5.4%, the largest monthly decline since a federal rule change artificially delayed closings back a month in 2015. That region alone drove 2/3rds of the overall decline in September. Keep in mind that Hurricane Michael will probably cause further distortions in next month's report, though we expect a rebound in sales after the initial negative effects work their way through the data. All that said, the biggest problem for existing home sales has been a lack of supply. The months' supply of existing homes – how long it would take to sell the current inventory at the most recent sales pace – was 4.4 months in September and has been below 5.0 since late 2015 - the level the National Association of Realtors (NAR) considers tight. The good news is that inventories look like they may finally be turning a corner, rising on a year-over-year basis for the second month in a row after 38 straight months of stagnation and declines. If sellers really are changing their behavior, a reversal in the steady decline of listings we've seen since mid-2015 would be a welcome reprieve for buyers, boosting supply and sales, as well. Even with the current lack of choices, the demand for existing homes has remained remarkably strong, with 47% 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 the median sales price, which is up 4.2% from a year ago. Many analysts are suggesting rising mortgage rates are signaling the end for the housing market recovery. However, continued strength in the job market, rising wages, and some gains in housing inventory should provide the right cocktail to allow potential buyers to offset higher financing costs going forward. In other recent news, initial jobless claims fell 5,000 last week to 210,000. Meanwhile, continuing claims fell 13,000 to 1.64 million. These figures suggest a rebound in the pace of job growth in October after the temporary lull in September due to Hurricane Florence. On the manufacturing front, the Philly Fed Index, a measure of East Coast factory sentiment, fell slightly to a still strong +22.2 in October from +22.9 in September, signaling continued optimism among manufacturers.

NAR Total Existing Home Sales, United States
SAAR, Thous



Existing Homes: Median Sales Price



| Existing Home Sales | Sep-18 | | Aug-18 | Jul-18 | 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 | -3.4% | 5150 | 5330 | 5340 | 5273 | 5343 | -4.1 |
| Northeast | -2.9% | 680 | 700 | 660 | 680 | 682 | -5.6 |
| Midwest | 0.0% | 1280 | 1280 | 1250 | 1270 | 1272 | -1.5 |
| South | -5.4% | 2110 | 2230 | 2240 | 2193 | 2243 | -0.5 |
| West | -3.6% | 1080 | 1120 | 1190 | 1130 | 1147 | -12.2 |
| Median Sales Price (\$, NSA) | -2.8% | 258100 | 265600 | 269300 | 264333 | 264967 | 4.2 |

Source: National Association of Realtors