

January Existing Home Sales

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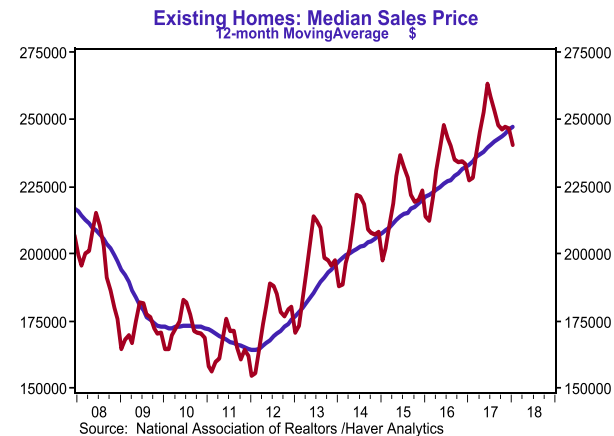
- Existing home sales declined 3.2% in January to a 5.38 million annual rate, below the consensus expected 5.60 million. Sales are down 4.8% versus a year ago.
- Sales in January fell in all the major regions. The drop was entirely due to single-family homes. Sales of condos/coops rose in January.
- The median price of an existing home fell to \$240,500 in January (not seasonally adjusted) but is up 5.8% versus a year ago. Average prices are up 4.7% versus last year.

Implications: Existing home sales fell for the second straight month in January, as a lack of options for buyers continued to weigh on activity. Sales of previously-owned homes fell 3.2% in January to a 5.38 million annual rate. Going forward it is important to remember that home sales are volatile from month to month. Despite January’s weak headline number, sales in 2017 posted their best year since 2006, an upward trend we expect will remain intact. That said, the major headwind for existing homes has been inventories, now lower on a year-over-year basis for 32 consecutive months, and down 9.5% from a year ago. In fact, inventories hit their lowest level for any January since at least 1999, when records began. It’s no wonder then that January also posted the largest annual drop in sales since 2014. The months’ supply of existing homes – how long it would take to sell the current inventory at the most recent sales pace – rose to a still extremely low reading of 3.4 months in January (from December’s record low reading of 3.2 months) as inventories rose and sales slowed. According to the NAR, anything less than 5.0 months (a level we haven’t breached since 2015) is considered tight supply. Despite the lack of choices, demand for existing homes has remained remarkably strong, with 43% of homes sold in January 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 are up 5.8% from a year ago. 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 tax reform on home sales, few homeowners exceed the new thresholds for deductibility. Finally, though mortgage rates may be heading higher, 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.

NAR Total Existing Home Sales, United States
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Existing Homes: Median Sales Price
 \$



| Existing Home Sales | Jan-18 | | Dec-17 | Nov-17 | 3-month | 6-month | Yr to Yr | |
|-------------------------------------|---|-------|--------|--------|---------|-------------|-------------|----------|
| | <i>Seasonally Adjusted Unless Noted, Levels in Thous.</i> | % Ch. | level | level | level | moving avg. | moving ave. | % Change |
| Existing Home Sales | | -3.2% | 5380 | 5560 | 5720 | 5553 | 5492 | -4.8 |
| Northeast | | -1.4% | 730 | 740 | 760 | 743 | 737 | -7.6 |
| Midwest | | -6.0% | 1250 | 1330 | 1400 | 1327 | 1313 | -3.8 |
| South | | -1.3% | 2260 | 2290 | 2330 | 2293 | 2232 | -1.7 |
| West | | -5.0% | 1140 | 1200 | 1230 | 1190 | 1210 | -9.5 |
| Median Sales Price (\$, NSA) | | -2.4% | 240500 | 246500 | 247200 | 244733 | 246817 | 5.8 |

Source: National Association of Realtors