

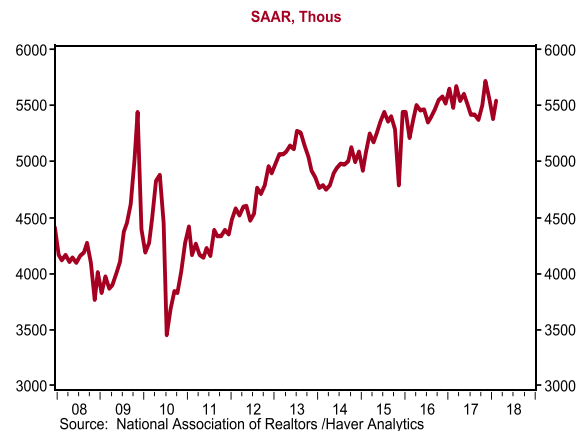
February Existing Home Sales

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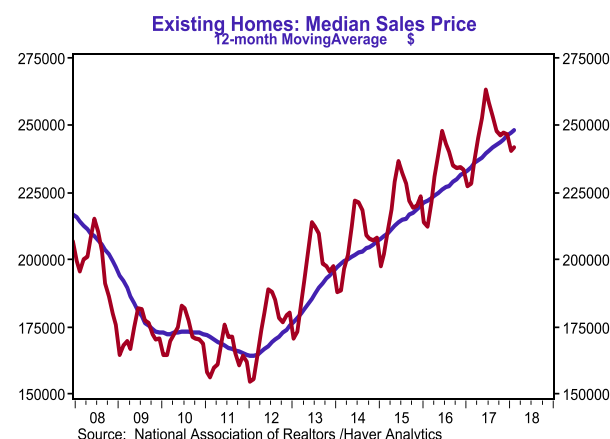
- Existing home sales increased 3.0% in February to a 5.54 million annual rate, beating the consensus expected 5.40 million. Sales are up 1.1% versus a year ago.
- Sales in February rose in the West and South, but fell in the Northeast and Midwest. The increase was entirely due to single-family homes. Sales of condos/coops fell in February.
- The median price of an existing home rose to \$241,700 in February (not seasonally adjusted) and is up 5.9% versus a year ago. Average prices are up 4.3% versus last year.

Implications: Following two straight months of declines, existing home sales bounced back in February, though buyers continue to grapple with a lack of options. Sales of previously-owned homes rose 3% in February to a 5.54 million annual rate and are now up 1.1% versus a year ago. Notably, sales in February were driven by the South and West regions while the Northeast and Midwest continued to lag. Unseasonably cold weather in the latter regions has muted sales activity, and should continue to weigh on data in March according to the NAR. However, once those weather effects filter out of the data we should see an added tailwind to sales in Q2. That said, the major headwind for existing homes has been inventories, now lower on a year-over-year basis for 33 consecutive months, and down 8.1% from a year ago. The months' supply of existing homes – how long it would take to sell the current inventory at the most recent sales pace – remained unchanged at a still extremely low reading of 3.4 months in February. 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 46% of homes sold in February 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 5.9% 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



Existing Homes: Median Sales Price



| Existing Home Sales | Feb-18 | | Jan-18 | Dec-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 | 3.0% | 5540 | 5380 | 5560 | 5493 | 5512 | 1.1 |
| Northeast | -12.3% | 640 | 730 | 740 | 703 | 722 | -7.2 |
| Midwest | -2.4% | 1220 | 1250 | 1330 | 1267 | 1302 | 0.0 |
| South | 6.6% | 2410 | 2260 | 2290 | 2320 | 2268 | 3.4 |
| West | 11.4% | 1270 | 1140 | 1200 | 1203 | 1220 | 2.4 |
| Median Sales Price (\$, NSA) | 0.4% | 241700 | 240800 | 246500 | 243000 | 244967 | 5.9 |

Source: National Association of Realtors