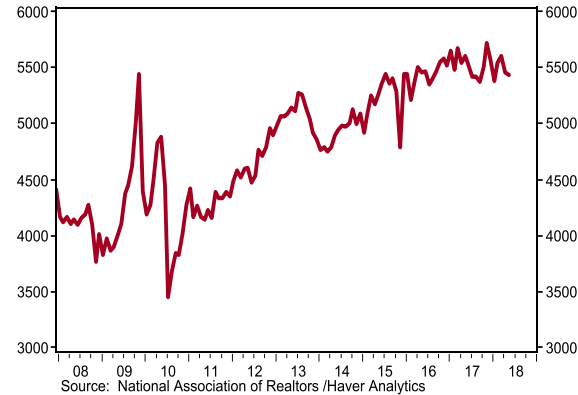


May Existing Home Sales

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- Existing home sales declined 0.4% in May to a 5.43 million annual rate, below the consensus expected 5.52 million. Sales are down 3.0% versus a year ago.
- Sales in May fell in the Midwest, West, and South, but rose in the Northeast. The decline was due entirely to single-family homes. Sales of condos/coops rose slightly in May.
- The median price of an existing home rose to \$264,800 in May (not seasonally adjusted) and is up 4.9% versus a year ago. Average prices are up 3.1% versus last year.

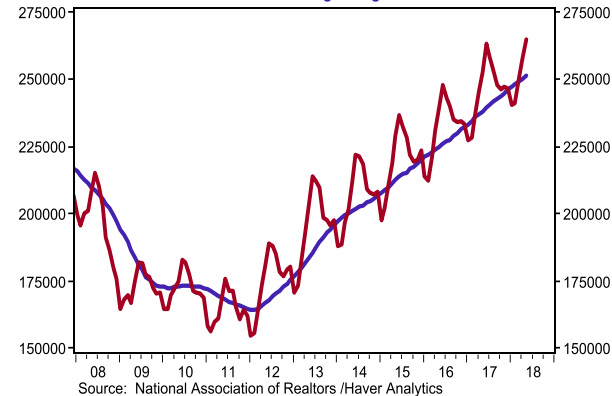
NAR Total Existing Home Sales, United States
 SAAR, Thous



Implications: Existing home sales continued to struggle in May as a lack of available listings dissuaded potential buyers. Sales of previously-owned homes fell 0.4% in May to a 5.43 million annual rate. Sales were tepid in much of the country, with only the Northeast region (which represents the smallest portion of overall activity) posting a gain. As a result, sales on a year-over-year basis declined for a third consecutive month. Looking forward, we expect sales of existing homes to tread water due to two factors: a lack of inventory and a shift in taste toward new homes. In May, only 1.85 million unsold existing homes remained on the market at months end. That may sound like a lot of homes, but it's the fewest available units for any May since records began being kept in 1999. Inventories, down 6.1% in the past year, have now declined on a year-over-year basis for 36 consecutive months. The months' supply of existing homes – how long it would take to sell the current inventory at the most recent sales pace – was 4.1 in May. According to the NAR, anything less than 5.0 months (a level we haven't breached since 2015) is considered tight supply. Although some analysts might suggest weakness in existing home sales might reflect higher mortgage rates, we doubt that's the case: new home sales continue to show healthy gains in spite of higher mortgage rates. As we mentioned in [yesterday's report on housing starts](#), there is a potential source of relief on the horizon for existing home sales. Both the level of new construction activity and the pace developers are completing new units are at their fastest since the recession. As properties are completed, and more homeowners choose to trade up or down into a new home, more existing homes should make their way onto the market. This will help alleviate the supply problems that have pushed up the median age of homes in the U.S. from 31 years in 2005 to 37 years in 2015, the most recent data available. Even with the current lack of choices, demand for existing homes has remained remarkably strong, with 58% of homes sold in May 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 4.9% from a year ago. Some analysts may be concerned about the impact of tax reform on home sales, but few homeowners exceed the new thresholds for deductibility and newer homes, where growth has been faster, carry a higher price and are therefore more likely to trigger the cap on mortgage deductibility.

Existing Homes: Median Sales Price

Existing Homes: Median Sales Price
 12-month Moving Average



| Existing Home Sales | May-18 | | Apr-18 | Mar-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 | -0.4% | 5430 | 5450 | 5600 | 5493 | 5493 | -3.0 |
| Northeast | 4.6% | 680 | 650 | 680 | 670 | 687 | -11.7 |
| Midwest | -2.3% | 1260 | 1290 | 1290 | 1280 | 1273 | -2.3 |
| South | -0.4% | 2320 | 2330 | 2400 | 2350 | 2335 | 0.0 |
| West | -0.8% | 1170 | 1180 | 1230 | 1193 | 1198 | -4.1 |
| Median Sales Price (\$, NSA) | 2.7% | 264800 | 257900 | 249800 | 257500 | 250117 | 4.9 |

Source: National Association of Realtors