

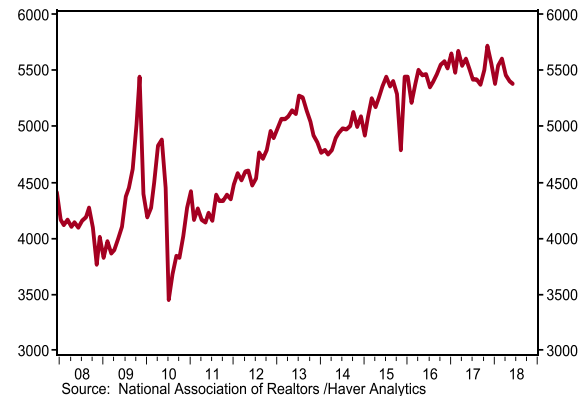
June Existing Home Sales

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

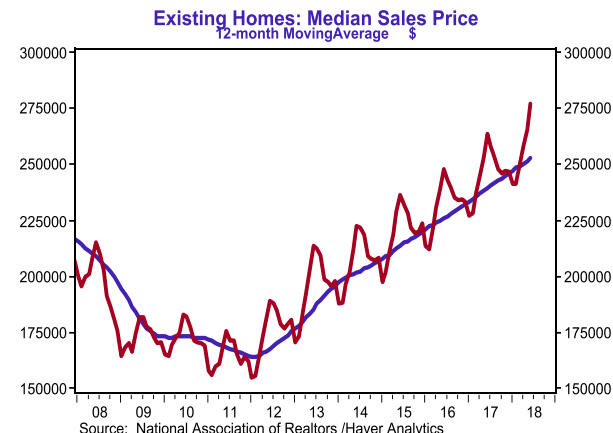
- Existing home sales declined 0.6% in June to a 5.38 million annual rate, below the consensus expected 5.44 million. Sales are down 2.2% versus a year ago.
- Sales in June fell in the West and South, but rose in the Northeast and Midwest. The decline was due entirely to single-family homes. Sales of condos/coops remained unchanged in June.
- The median price of an existing home rose to \$276,900 in May (not seasonally adjusted) and is up 5.2% versus a year ago. Average prices are up 3.8% versus last year.

Implications: Existing home sales fell for the third straight month in June but some good news on inventories suggests that the market may be close to turning upward. Sales of previously-owned homes fell 0.6% in June to a 5.38 million annual rate, with declines in the West and South more than fully offsetting gains in the Northeast and Midwest. 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 4.3 months in June and has been below 5.0 since late 2015- the level the National Association of Realtors considers tight. The actual inventory of homes for sale rose in June to 1.95 million, which represents the first time since mid-2015 that the inventory of existing homes rose from the year before. It's too early to tell whether sellers are changing their behavior, but having inventories rise is not a bad thing. As we mentioned in [last week's report on housing starts](#), the second quarter saw developers completing new housing units at the fastest quarterly pace since the recession. As properties are finished, 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 June 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 hit a new record high in June and is up 5.2% from a year ago. Although some analysts will suggest weakness in existing home sales is the result of rising mortgage rates, we doubt that's the case: new home sales, which would be similarly impacted by higher financing costs, have continued to rise at a healthy pace. There is also some concern 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 interest deductibility.

NAR Total Existing Home Sales, United States
 SAAR, Thous



Existing Homes: Median Sales Price



Existing Home Sales	Jun-18		May-18	Apr-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	-0.6%	5380	5410	5450	5413	5460	-2.2
Northeast	5.9%	720	680	650	683	683	-4.0
Midwest	0.8%	1270	1260	1290	1273	1263	-3.1
South	-2.2%	2250	2300	2330	2293	2325	0.4
West	-2.6%	1140	1170	1180	1163	1188	-5.0
Median Sales Price (\$, NSA)	4.5%	276900	265100	257900	266633	255233	5.2

Source: National Association of Realtors