

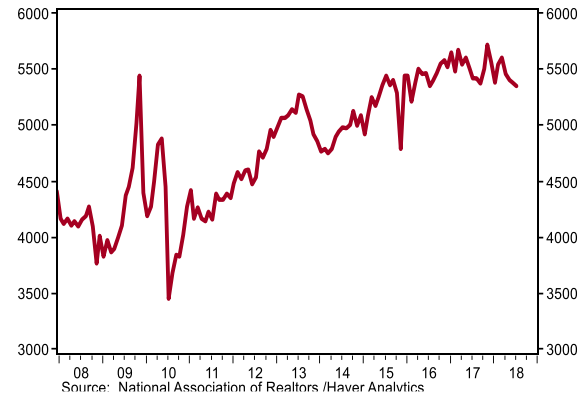
July Existing Home Sales

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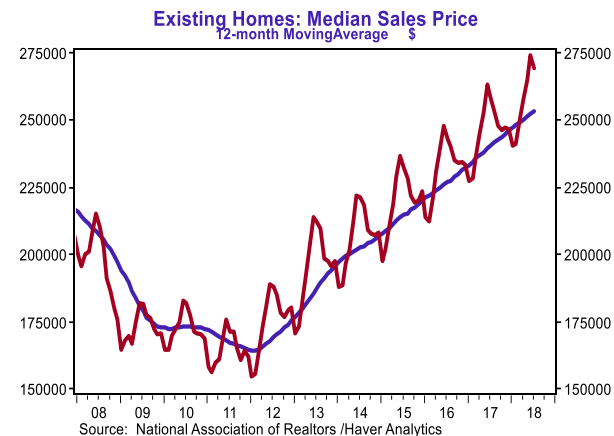
- Existing home sales declined 0.7% in July to a 5.34 million annual rate, below the consensus expected 5.40 million. Sales are down 1.5% versus a year ago.
- Sales in July fell in the Northeast, Midwest and South, but rose in the West. The decline was due to both single-family homes and condos/coops.
- The median price of an existing home fell to \$269,600 in July (not seasonally adjusted) but is up 4.5% versus a year ago. Average prices are up 3.0% versus last year.

Implications: Existing home sales continued to struggle in July, falling for the fourth month in a row as a lack of supply continues to hold down activity. Sales of previously-owned homes fell 0.7% in July to a 5.34 million annual rate and are now down 1.5% from a year ago. This represents the slowest pace of sales in more than two years and the fifth consecutive month of year-over-year sales declines. 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 July and has been below 5.0 since late 2015- the level the National Association of Realtors (NAR) considers tight. There is one potential ray of sunshine hidden in the inventory data, though. After falling on a year-over-year basis for 37 months in a row, inventories were flat versus a year ago in July. It's too early to tell whether sellers are changing their behavior, but 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, demand for existing homes has remained remarkably strong, with 55% of homes sold in July 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 has now risen for 77 consecutive months on a year-over-year basis. 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. Finally, some are concerned that the only thing holding the housing market together are sales of luxury properties at the very top end of the price spectrum. However, July data show that every category of home prices has seen sales increase in the past year with the exception of the lowest priced homes, which represents properties sold for up to \$100K (7.6% of overall sales). In other words, other than the lowest priced homes, sales are up in the past year. This is a significant improvement from July 2017 when sales of all homes below \$250K (50.7% of overall sales) had posted an annual decline. One last point, which is that sales of existing homes have almost zero influence on real GDP growth — these sales mostly represent asset transfers, plus commissions for services that are small relative to the asset price — so today's news doesn't change our view that real GDP is growing at a 4.0 - 4.5% annual rate in Q3.

NAR Total Existing Home Sales, United States
 SAAR, Thous



Existing Homes: Median Sales Price



Existing Home Sales	Jul-18		Jun-18	May-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	-0.7%	5340	5380	5410	5377	5453	-1.5
Northeast	-8.3%	660	720	680	687	672	-1.5
Midwest	-1.6%	1250	1270	1260	1260	1263	-0.8
South	-0.4%	2240	2250	2300	2263	2322	-0.4
West	4.4%	1190	1140	1170	1167	1197	-4.0
Median Sales Price (\$, NSA)	-1.5%	269600	273800	265100	269500	259517	4.5

Source: National Association of Realtors