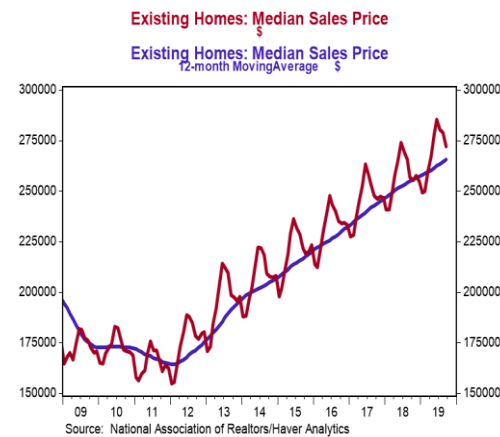
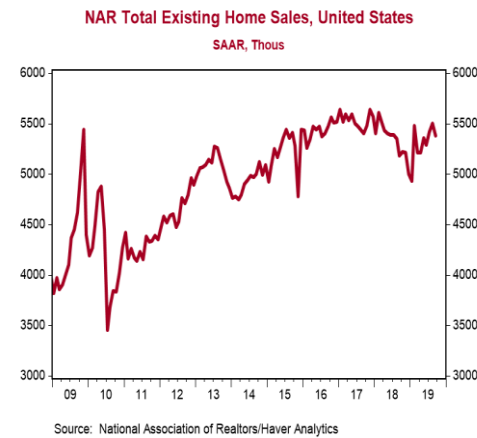


September Existing Home Sales

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- Existing home sales declined 2.2% in September to a 5.380 million annual rate, lagging the consensus expected 5.450 million. Sales are up 3.9% versus a year ago.
- Sales in September fell in all major regions. The drop was entirely due to single-family homes. Sales of condos/coops rose in September.
- The median price of an existing home fell to \$272,100 in September (not seasonally adjusted) but is up 5.9% versus a year ago. Average prices are up 4.2% versus last year.

Implications: Following two months of gains, existing home sales took a breather in September. Don't get too hung up on the weak headline number though, the upward trend that began in January remains intact. Even with September's decline, Q3 as a whole posted the fastest quarterly sales pace since Q1 2018, when the broad-based weakness in housing began last year. That said, one piece of worrying news in today's report was that inventories have now fallen year-over-year (the best measure for inventories given the seasonality of the data) since June, following ten straight months of gains. This is concerning because it reverses the steady increase in listings we had been seeing until recently and will likely be a headwind for future sales. Keep in mind, the primary culprit behind the weak existing home market in 2018 was lack of supply. It's also important to note that the months' supply of existing homes – how long it would take to sell the current inventory at the most recent sales pace – was only 4.1 months in September and has now stood below 5.0 (the level the National Association of Realtors considers tight) since late 2015. With demand so strong that 49% of homes sold in September were on the market for less than a month, continued gains in inventories will remain crucial to sales activity going forward. The good news is that builders are beginning to respond, with the number of housing units under construction at a post-recession high in Q3 and housing starts more generally just below that benchmark. As these properties are finished, and people trade up or down to a new home, more inventory of existing homes will become available. More construction will be doubly important for properties worth \$250k or less, where sales growth remains either weak or negative. What this means is that the "mix" of homes sold is more and more tilted towards the higher end. When you add in mortgage rates that have fallen roughly 100 basis points since their peak in November 2018, it's no surprise that the year-over-year growth in median prices has begun to reaccelerate. This measure had been slowing consistently since early 2017 but is now up 5.9% in the past year versus its low of just 3.3% in December. It won't be a straight line higher for sales in 2019 but fears the housing recovery have ended are overblown. Finally, on the manufacturing front this morning, the Richmond Fed index, a measure of mid-Atlantic manufacturing sentiment, rose unexpectedly and sharply to +8 in October from -9 in September, signaling resilience in the factory sector.



Existing Home Sales	Sep-19		Aug-19	Jul-19	3-month moving avg.	6-month moving ave.	Yr to Yr % Change
	% Ch.	level					
<i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>							
Existing Home Sales	-2.2%	5380	5500	5420	5433	5360	3.9
Northeast	-2.8%	690	710	660	687	675	1.5
Midwest	-3.1%	1270	1310	1270	1283	1252	0.0
South	-2.1%	2280	2330	2310	2307	2300	6.0
West	-0.9%	1140	1150	1180	1157	1133	5.6
Median Sales Price (\$, NSA)	-2.4%	272100	278900	280400	277133	276967	5.9

Source: National Association of Realtors