

## January Existing Home Sales

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

- Existing home sales declined 1.2% in January to a 4.94 million annual rate, just below the consensus expected 5.00 million. Sales are down 8.5% versus a year ago.
- Sales in January fell in the West, Midwest and South, but rose in the Northeast. The decline was entirely due to single-family homes. Sales of condos/coops rose in January.
- The median price of an existing home declined to \$247,500 in January (not seasonally adjusted), but is still up 2.8% versus a year ago. Average prices are up 1.5% versus last year.

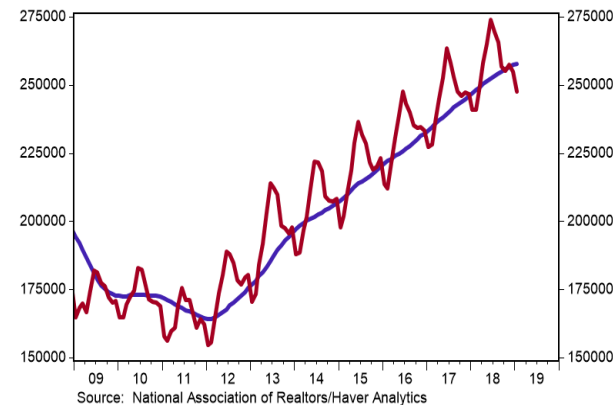
**Implications:** Existing home sales continued to struggle in January, falling for the third consecutive month to the slowest pace since November 2015. Despite the disappointing headline number, there is some sunshine on the horizon for the housing market in 2019. One reason for the weakness in sales at the end of 2018 was the rise in mortgage rates and drop in the stock market this past fall. However, rates have since receded and the stock market has rebounded. Further, despite median prices rising for the 83rd month in a row on a year-over-year basis, the rate of growth has been slowing consistently, with January only showing an increase of 2.8%. This means wages are now growing faster than prices for the first time since 2012, which should boost affordability going forward. That being said, some headwinds for sales remain. First, potential homebuyers in high-tax states are likely still reeling due to the new \$10,000 cap on state and local deductions. But the primary culprit behind the tempered housing market has been the ongoing 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 only 3.9 months in January and has now stood below 5.0 since late 2015 - the level the National Association of Realtors (NAR) considers tight. The good news is that inventories have finally been turning a corner, rising on a year-over-year basis - the best measure for inventories given the seasonality of the data - for the sixth month in a row after 38 straight months of stagnation and declines. If sellers really are changing their behavior, 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 as keeping a lid on price growth. It won't be a straight line higher but fears that the housing recovery is over are overblown. In other recent housing market news, the NAHB index, which measures homebuilder sentiment, rose to 62 in February from 58 in January. This signals a continued rebound in optimism from builders (primarily attributed to lower mortgage rates) after the index hit a three year low of 56 in December.

**NAR Total Existing Home Sales, United States**  
SAAR, Thous



Source: National Association of Realtors/Haver Analytics

**Existing Homes: Median Sales Price**  
Existing Homes: Median Sales Price  
12-month Moving Average



Source: National Association of Realtors/Haver Analytics

Existing Home Sales	Jan-19		Dec-18	Nov-18	3-month	6-month	Yr to Yr
	%Ch.	level					
<i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>							
<b>Existing Home Sales</b>	-1.2%	4940	5000	5210	5050	5150	-8.5
<b>Northeast</b>	2.9%	700	680	710	697	693	-1.4
<b>Midwest</b>	-2.5%	1160	1190	1300	1217	1243	-7.9
<b>South</b>	-1.0%	2080	2100	2160	2113	2153	-8.4
<b>West</b>	-2.9%	1000	1030	1040	1023	1060	-13.8
<b>Median Sales Price (\$, NSA)</b>	-2.8%	247500	254700	257400	253200	256200	2.8

Source: National Association of Realtors