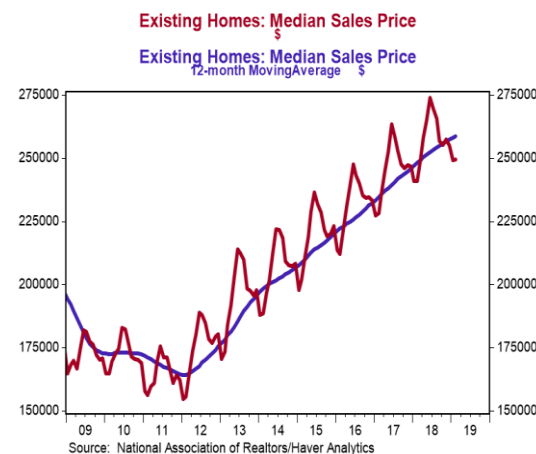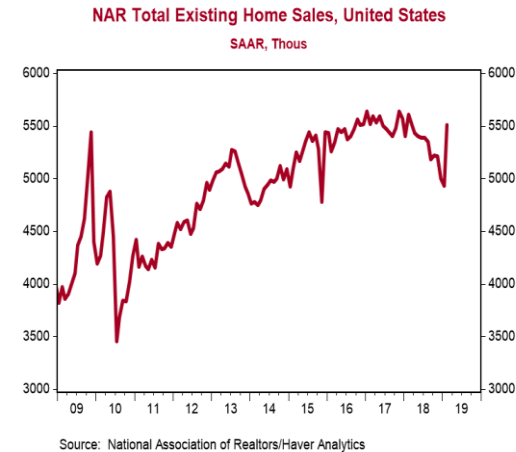# February Existing Home Sales

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

- Existing home sales increased 11.8% in February to a 5.510 million annual rate, easily beating the consensus expected 5.100 million. Sales are down 1.8% versus a year ago.

- Sales in February rose in the West, South, and Midwest, but remained unchanged in the Northeast. The increase was entirely due to single-family homes. Sales of condos/coops remained unchanged in February.

- The median price of an existing home rose to $249,500 in February (not seasonally adjusted) and is up 3.6% versus a year ago. Average prices are up 2.7% versus last year.

Implications: Existing home sales surged in February after three consecutive months of declines and a broader downward trend since Q1 2018. Sales rose 11.8%, the second largest monthly gain on record behind only December 2015, when sales surged due to a change in federal rules surrounding the closing process. February's gain returns the sales pace to Q1 2018 levels, wiping out nearly a year's worth of declines. It is important not to read too much into any single month of data, but the fundamentals have improved of late for existing homes. First, despite median prices rising for the 84th month in a row on a year-over-year basis, the rate of growth has been slowing, with February showing a modest increase of 3.6%. This means wages are now growing nearly as fast as prices, which – along with falling mortgage rates – boosts affordability. The primary culprit behind the tempered existing housing market in 2018 was lack of supply, but here too there has been progress. Inventories have turned a corner, rising on a year-over-year basis (the best measure for inventories given the seasonality of the data) for the seventh month in a row after 38 straight months of stagnation and declines. It looks like sellers really are changing their behavior, and a reversal in the steady decline of listings since mid-2015 is a welcome reprieve for buyers, boosting supply and sales, while keeping a lid on price growth. That said, some headwinds for sales remain. First, potential homebuyers in high-tax states are likely still reeling from the $10,000 cap on state and local tax deductions. Second, the months' supply of existing homes – how long it would take to sell the current inventory at the most recent sales pace – was only 3.5 months in February and has now stood below 5.0 (the level the National Association of Realtors considers tight) since late 2015. It won't be a straight line higher for sales in 2019 but fears the housing recovery has ended are overblown. In other housing market news, the NAHB index, which measures homebuilder sentiment, remained unchanged at 62 in March. This signals a continued rebound in sentiment from builders after the index hit a three year low of 56 in December. On the manufacturing front, the Philly Fed Index, a measure of East Coast factory sentiment, rebounded to +13.7 in March from -4.1 in February, signaling a return to optimism after the index briefly touched negative territory for the first time since mid-2016. Finally, on the employment front, new claims for unemployment benefits fell 9,000 last week to 221,000. Continuing claims fell 27,000 to 1.750 million. Look for March to show a sharp rebound in job creation after February's lull.

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	Feb-19		Jan-19	Dec-18	3-month	6-month	Yr to Yr
Seasonally Adjusted Unless Noted, Levels in Thous.	% Ch.	level	level	level	moving avg.	moving ave.	% Change
Existing Home Sales	11.8%	**5510**	4930	5000	5147	5175	-1.8
Northeast	0.0%	**690**	690	680	687	690	1.5
Midwest	9.5%	**1270**	1160	1190	1207	1242	0.0
South	14.9%	**2390**	2080	2100	2190	2177	-0.4
West	16.0%	**1160**	1000	1030	1063	1067	-7.9
Median Sales Price ($, NSA)	0.1%	**249500**	249300	254700	251167	253817	3.6

Source: National Association of Realtors