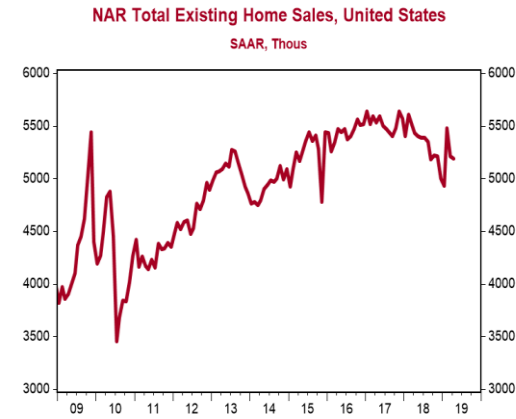


April Existing Home Sales

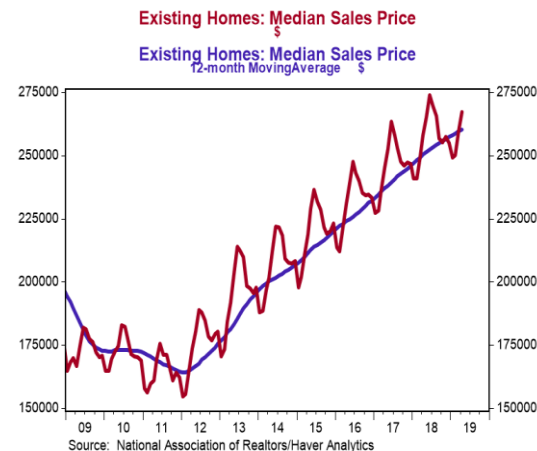
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- Existing home sales declined 0.4% in April to a 5.190 million annual rate, below the consensus expected 5.350 million. Sales are down 4.4% versus a year ago.
- Sales in April fell in the Northeast and South, rose in the West, and remained unchanged in the Midwest. The decline was due entirely to single-family homes. Sales of condos/coops rose in April.
- The median price of an existing home rose to \$267,300 in April (not seasonally adjusted) and is up 3.6% versus a year ago. Average prices are up 2.5% versus last year.

Implications: Existing home sales continued to moderate in April, slipping 0.4% to post back-to-back declines after a sharp surge in activity in February. Despite the negative headline number in April, the ingredients are present for an upward trend in sales in 2019. First, even though median prices have risen for eighty-six months in a row on a year-over-year basis, the rate of growth has been slowing, with April showing a modest increase of 3.6%. This means wages are now growing nearly as fast as prices. On top of this, mortgage rates have fallen roughly eighty basis points since their November peak, which further boosts affordability. The primary culprit behind the tempered existing housing market in 2018 was lack of supply, but here too there's 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 ninth month in a row. It looks like sellers really are changing their behavior, and a reversal in the steady decline of listings from mid-2015 through mid-2018 is a welcome reprieve for buyers, boosting supply and sales, while keeping a lid on price growth. We have already seen some positive effects on sales activity from these factors, with Q1 as a whole posting a 1.2% gain over the Q4 2018 average, the first quarterly gain after four consecutive declines. 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 4.2 months in April and has now stood below 5.0 (the level the National Association of Realtors considers tight) since late 2015. With demand so strong that 53% of homes sold in April were on the market for less than a month, continued gains in inventories will remain crucial to sales activity going forward. It won't be a straight line higher for sales in 2019 but fears the housing recovery has ended are overblown.



Source: National Association of Realtors/Haver Analytics



Source: National Association of Realtors/Haver Analytics

| Existing Home Sales | Apr-19 | | Mar-19 | Feb-19 | 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 | -0.4% | 5190 | 5210 | 5480 | 5293 | 5170 | -4.4 |
| Northeast | -4.5% | 640 | 670 | 690 | 667 | 680 | -4.5 |
| Midwest | 0.0% | 1170 | 1170 | 1270 | 1203 | 1210 | -7.9 |
| South | -0.4% | 2270 | 2280 | 2360 | 2303 | 2208 | -1.7 |
| West | 1.8% | 1110 | 1090 | 1160 | 1120 | 1072 | -5.9 |
| Median Sales Price (\$, NSA) | 2.9% | 267300 | 259700 | 250100 | 259033 | 256417 | 3.6 |

Source: National Association of Realtors

This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.