

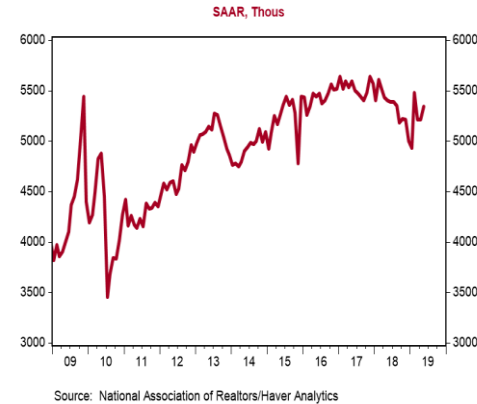
May Existing Home Sales

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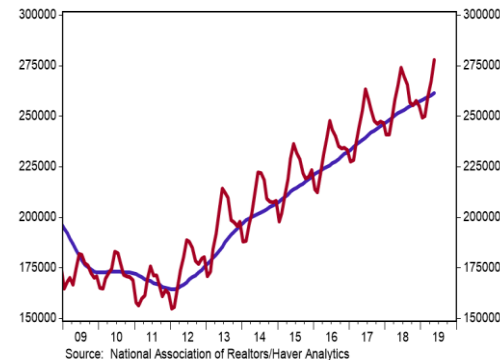
- Existing home sales increased 2.5% in May to a 5.340 million annual rate, just above the consensus expected 5.300 million. Sales are down 1.1% versus a year ago.
- Sales in May rose in all major regions. The increase was due to both single-family homes and condos/coops.
- The median price of an existing home rose to \$277,700 in May (not seasonally adjusted) and is up 4.8% versus a year ago. Average prices are up 3.4% versus last year.

Implications: Following back-to-back weakness in prior months, existing home sales posted a broad-based rebound in May, gaining 2.5%. It now looks like sales have stabilized after a miserable 2018 and a surge in activity in February. Despite the recent volatility, the ingredients are present for an upward trend in sales in 2019. The primary culprit behind the weak existing home market in 2018 was lack of supply, but here 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 tenth 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. On top of this, mortgage rates have fallen roughly ninety basis points since the November peak, which boosts affordability. 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. One negative surprise in today’s report was the surge in the year-over-year growth rate in median prices, which rose from 3.5% in April to 4.8% in May. Even though median prices have risen for eighty-seven months in a row on a year-over-year basis, the rate of growth has been slowing consistently since early 2017. It’s too early to tell if today’s reading represents a change in momentum, but it isn’t inconceivable that lower mortgage rates could be pushing up buyers’ offers during the bidding process. However, it looks like the more likely cause is simply the “mix” of homes sold in the past year, where essentially all the activity is being driven by properties that are worth \$250K+. Although inventories have been recovering, 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 4.3 months in May 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 May 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. In recent employment news, initial jobless claims fell 6,000 last week to 216,000 while continuing claims fell 37,000 to 1.662 million. These readings suggest solid jobs growth in June after the lull in May. On the manufacturing front, the Philly Fed Index, a measure of East Coast factory sentiment, dropped sharply to +0.3 in June from +16.6 in May. However, as we mentioned regarding a similar weak reading on the Empire State Index, this was probably due to the timing of the survey, which coincided with the Trump administration’s threats of tariffs on Mexico. Now that those have been suspended indefinitely, expect a strong rebound in both indices in the coming months.

NAR Total Existing Home Sales, United States



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



Existing Home Sales	May-19		Apr-19	Mar-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	2.5%	5340	5210	5210	5253	5195	-1.1
Northeast	4.7%	670	640	670	660	673	0.0
Midwest	3.4%	1220	1180	1170	1190	1198	-3.9
South	1.8%	2320	2280	2280	2293	2237	1.3
West	1.8%	1130	1110	1090	1110	1087	-3.4
Median Sales Price (\$, NSA)	4.0%	277700	266900	259700	268100	259733	4.8

Source: National Association of Realtors