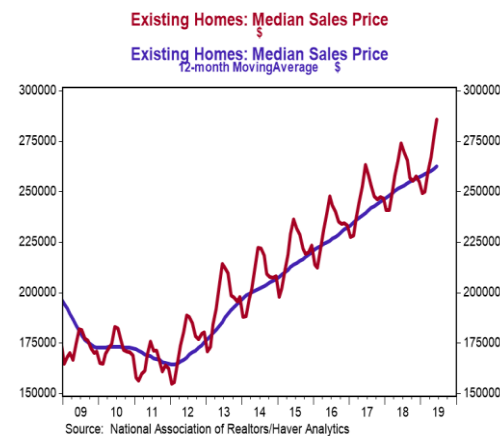
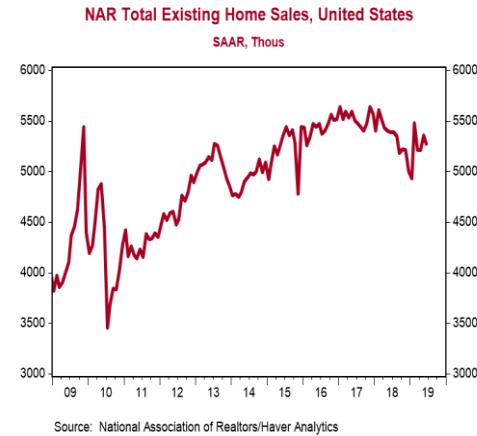


June Existing Home Sales

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- Existing home sales declined 1.7% in June to a 5.270 million annual rate, narrowly lagging the consensus expected 5.320 million. Sales are down 2.2% versus a year ago.
- Sales in June fell in the West and South, but rose in the Midwest and Northeast. The drop was due to both single-family homes and condos/coops.
- The median price of an existing home rose to \$285,700 in June (not seasonally adjusted) and is up 4.3% versus a year ago. Average prices are up 3.1% versus last year.

Implications: Don't get too worked up about the slight drop in existing home sales in June, the underlying trend continues to be positive following a miserable 2018. In fact, despite the monthly decline in June, Q2 as a whole posted a 1.4% increase in the pace of sales versus the Q1 average. This represents the second quarterly gain in a row following four consecutive declines. That said, one piece of worrying news in today's report was that inventories failed to rise on a year-over-year basis (the best measure for inventories given the seasonality of the data) for the first time in eleven months. It's still too soon to tell if this means sellers are changing their behavior, but a reversal in the steady increase in listings we've seen recently could be a headwind for future sales. Keep in mind, the primary culprit behind the weak existing home market in 2018 was lack of supply. This is doubly true for properties worth \$250k or less, where sales declines have been the largest in the past year. 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 4.4 months in June and has now stood below 5.0 (the level the National Association of Realtors considers tight) since late 2015. With demand so strong that 56% of homes sold in June were on the market for less than a month, continued gains in inventories will remain crucial to sales activity going forward. One key bright spot in today's report was that the surge in the year-over-year growth rate in median prices last month looks to have been temporary, falling to 4.3% in June from 4.9% in May. The year-to-year rate of price growth has been slowing consistently since early 2017. This slowdown, along with a roughly 100 basis point reduction in mortgage rates since the peak in November, has helped keep homes relatively affordable. It won't be a straight line higher for sales in 2019 but fears the housing recovery has ended are overblown. In other recent housing news, the FHFA index, which measures prices for homes financed with conforming mortgages, increased 0.1% in May, and is up 5.0% from a year ago, a deceleration from the 6.8% gain in the year ending in May 2018. On the manufacturing front, the Richmond Fed index, which measures mid-Atlantic factory sentiment, fell unexpectedly to -12 in July from +2 in June. This is in stark contrast to several other regional manufacturing surveys which posted healthy rebounds in July following temporary weakness. Look for a similar rebound in the Richmond index going forward.



Existing Home Sales	Jun-19		May-19	Apr-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	-1.7%	5270	5360	5210	5280	5243	-2.2
Northeast	1.5%	680	670	640	663	673	-4.2
Midwest	1.6%	1250	1230	1180	1220	1210	-1.6
South	-3.4%	2250	2330	2280	2287	2263	-0.4
West	-3.5%	1090	1130	1110	1110	1097	-5.2
Median Sales Price (\$, NSA)	2.7%	285700	278200	266900	276933	264983	4.3

Source: National Association of Realtors