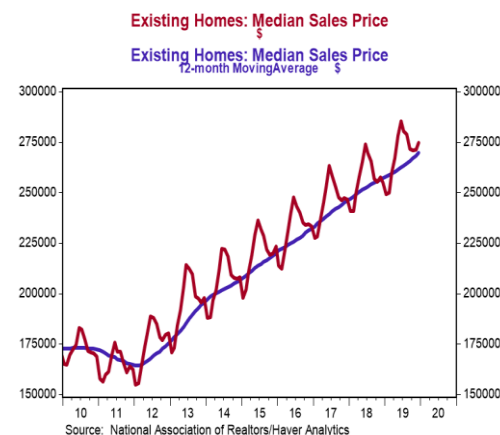
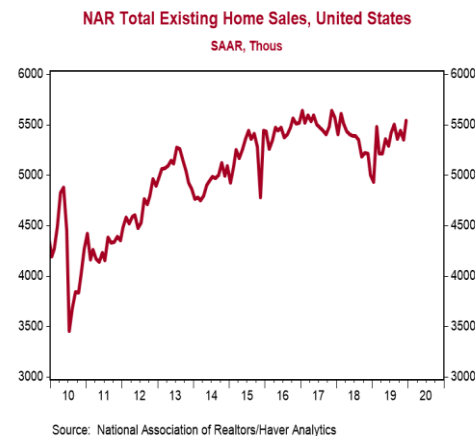


December Existing Home Sales

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- Existing home sales increased 3.6% in December to a 5.540 million annual rate, beating the consensus expected 5.430 million. Sales are up 10.8% versus a year ago.
- Sales in December rose in the Northeast, South, and West, but fell in the Midwest. The gain was due to both single-family homes and condos/coops.
- The median price of an existing home rose to \$274,500 in December (not seasonally adjusted) and is up 7.8% versus a year ago. Average prices are up 5.9% versus last year.

Implications: Following a dip in last month’s report, existing home sales bounced back in December to post the fastest monthly sales pace since early 2018. Total sales were 5.341 million units in 2019, exactly matching 2018. Though this may seem unimpressive at first glance, it’s important to note that the year started from a very low baseline, with January posting the slowest sales pace since 2015. That said, sales have now nearly fully recovered from the 2018 decline (as the chart to the right shows) and are poised to hit new post-recession highs as we head into 2020. Putting aside the positive headline number, the negative news in today’s report was that the inventory of existing homes has now fallen year-over-year (the best measure for inventories given the seasonality of the data) every month since June, following ten straight months of gains. This is concerning because it represents a consistent reversal in the upward trend in listings earlier this year and will likely be a headwind for future sales. Keep in mind, the primary culprit behind the weak existing home market in 2018 was lack of supply. The consistent decline in inventories along with a rising sales pace has driven down the months’ supply – how long it would take to sell the current inventory at the most recent sales pace – to only 3.0 months in December, which is the lowest reading on record going back to 1999. Notably, this measure has now been below 5.0 months (the level the National Association of Realtors considers tight) since late 2015. With demand so strong that 43% of homes sold in December were on the market for less than a month, inventories remain crucial to sales activity going forward. The good news is that builders are beginning to respond, with both the number of new residential construction projects started and the total number of housing units under construction rising consistently over the past several months to post-recession highs. As these properties are finished, and people trade up or down to a new home, more inventory of existing homes will become available. More construction will be doubly important for properties worth \$250k or less, where sales have sputtered and the decline in inventories has been the greatest. What this means is that the “mix” of homes sold is more tilted toward the higher end. When you add in mortgage rates that have fallen roughly 100 basis points since the peak in November 2018, it’s no surprise that the year-over-year growth in median prices has begun to reaccelerate and is now up 7.8% in the past year versus just 3.3% in the twelve months ending December 2018. In other housing news this morning, the FHFA index, which measures prices for homes financed with conforming mortgages, increased 0.2% in November. However, unlike median prices for existing homes, price growth has continued to decelerate in the FHFA index, up only 4.9% in the past year versus an increase of 6.0% in the twelve months ending November 2018.



Existing Home Sales	Dec-19		Nov-19	Oct-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	3.6%	5540	5350	5440	5443	5435	10.8
Northeast	5.7%	740	700	690	710	700	8.8
Midwest	-1.5%	1300	1320	1290	1303	1293	9.2
South	5.4%	2360	2240	2330	2310	2303	12.4
West	4.6%	1140	1090	1130	1120	1138	10.7
Median Sales Price (\$, NSA)	1.2%	274500	271300	271000	272267	274600	7.8

Source: National Association of Realtors