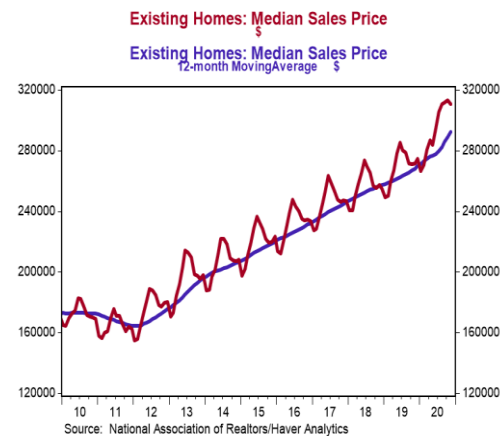
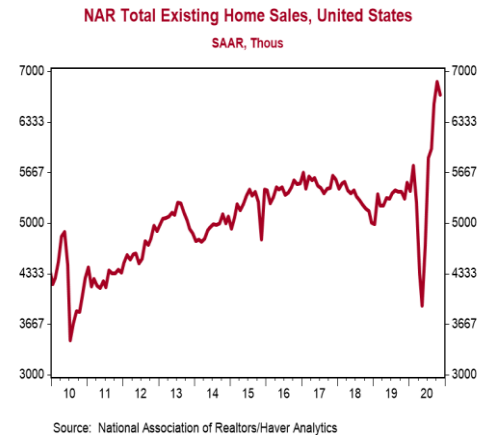


November Existing Home Sales

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

- Existing home sales declined 2.5% in November to a 6,690 million annual rate, nearly matching the consensus expected 6,700 million. Sales are up 25.8% versus a year ago.
- Sales in November fell in the South, Midwest, and Northeast, but remained unchanged in the West. The decline was due to both single-family homes and condos/coops.
- The median price of an existing home fell to \$310,800 in November (not seasonally adjusted) and is up 14.6% versus a year ago. Average prices are up 11.3% versus last year.

Implications: Following five consecutive months of gains, existing home sales took a widely expected breather in November. Despite the small headline decline in today’s report, sales in 2020 are on pace to post the highest annual level since 2006, a remarkable achievement in the midst of the COVID-19 pandemic. From February (pre-pandemic) to the bottom in May, sales collapsed 32.1%, as lockdown measures and widespread economic uncertainty took hold across the country. Since then sales have blown past the previous February high, and are now up 16.1% from pre-pandemic levels. One major contributor to the recent recovery has been the Fed’s liquidity policies, which have helped push 30-year fixed mortgage rates to record lows, boosting affordability. It also looks like the pandemic and the resulting public health measures have given potential buyers a new sense of urgency, with demand for existing homes so strong in November that 73% of the homes sold were on the market for less than a month. That said, sales face a continued headwind from the low inventory of existing homes. Today’s report showed that inventories were the lowest for any month on record back to 1999 and are down 22.0% versus a year ago (the best measure for inventories given the seasonality of the data). This is reflected in the months’ supply (how long it would take to sell today’s inventory at the current sales pace) of existing homes for sale, which is now 2.3, also the lowest reading on record back to 1999. Notably, the inventory shortage is most acute at the lower end of the price spectrum, with available properties worth \$500,000 or less posting double-digit percentage declines in the past year. This has resulted in a shift in the mix of homes sold toward more expensive properties. For example, sales of homes worth \$1 million and over are up 88.1% in the past year, as wealthy urban dwellers purchase properties elsewhere to escape pandemic-related restrictions and social unrest. This has put considerable upward pressure on median prices, which are now up 14.6% in the past year versus a year-over-year gain of 6.7% in January. Look for continued robust sales as we head into 2021, although sales will eventually settle down due to a lack of supply. In manufacturing news this morning, the Richmond Fed Index rose to +19 in December from +15 in November. This data signals a regional divergence from similar measures in New York and Philadelphia, which have recently posted declines attributed to rising COVID cases.



Existing Home Sales	Nov-20		Oct-20	Sep-20	3-month	6-month	Yr to Yr
	% Ch.	level	level	level	moving avg.	moving ave.	
<i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>							
Existing Home Sales	-2.5%	6690	6860	6570	6707	6110	25.8
Northeast	-2.2%	880	900	860	880	753	25.7
Midwest	-2.5%	1590	1630	1510	1577	1437	24.2
South	-3.8%	2820	2930	2820	2857	2650	25.9
West	0.0%	1400	1400	1380	1393	1270	27.3
Median Sales Price (\$, NSA)	-0.7%	310800	313100	311400	311767	307617	14.6

Source: National Association of Realtors