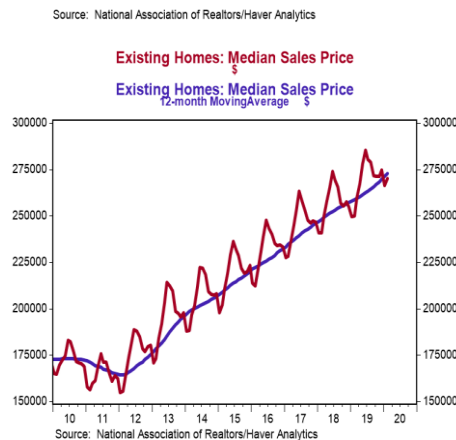
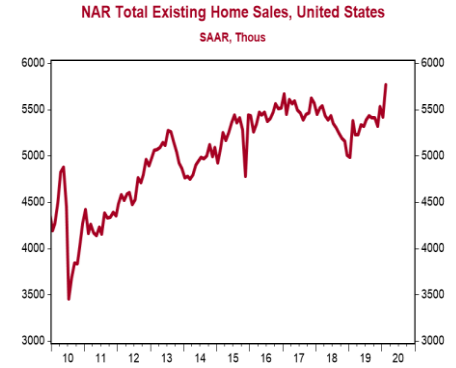


February Existing Home Sales

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- Existing home sales increased 6.5% in February to a 5.770 million annual rate, beating the consensus expected 5.510 million. Sales are up 7.2% versus a year ago.
- Sales in February rose in the West, South, and Midwest, but fell in the Northeast. The increase was due to single-family homes. Sales of condos/coops were unchanged in February.
- The median price of an existing home rose to \$270,100 in February (not seasonally adjusted) and is up 8.0% versus a year ago. Average prices are up 6.0% versus last year.

Implications: It’s hard to think of a more stale report than today’s news on existing home sales. Existing home sales in February grew the fastest for any month in the past year, rising to the highest level since 2007 and showing that the housing market was on strong footing before the Coronavirus. However, existing home sales are counting at closing, so the February data mostly reflect sales contracts signed in December and January, before the effects of the virus and related restrictions on activity. Also, the details in today’s report were less impressive than the headline, as the inventory of existing homes was down 9.8% versus a year ago (the best measure for inventories given the seasonality of the data), the ninth consecutive year-over-year decline. Unless reversed soon, this would likely have been a headwind for future sales even in the absence of the coronavirus. The primary culprit behind the weak existing home market in 2018 was lack of supply. A 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 3.1 months in February, just above December’s reading of 3.0 which was the lowest 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 47% of homes sold in February were on the market for less than a month, inventories remain crucial to sales activity once the coronavirus emergency passes. The picture for existing home sales is going to get murky over the next few months. Public health measures are likely going to weigh on sales activity as potential buyers are instructed to stay home. Construction activity is also going to be hampered by “social distancing,” shutdowns, and disrupted supply chains. Fewer new properties being finished means fewer people will be trading up or down to a new home, holding back the potential inventory of existing homes. That said, we expect a sharp rebound in activity once the virus is dealt with, people go back to work, and buyers make use of their pent-up purchasing power. In other recent news, initial claims for unemployment benefits rose 70,000 last week to 281,000 while continuing claims rose 2,000 to 1.701 million. This is the largest weekly increase in initial claims since the aftermath of Hurricane Sandy in 2012, and likely signals the first wave of layoffs resulting from mandated shutdowns of restaurants, bars, and public gatherings. Look for a much larger spike in claims in next week’s report, likely to history-breaking highs. On the manufacturing front, the Philly Fed Index, a measure of East Coast factory sentiment, plunged to -12.7 in March from +36.7 in February. This is the largest monthly decline on record and echoes a recent decline in the Empire State Index, as the effects of Coronavirus make their way into the data.



Existing Home Sales	Feb-20		Jan-20	Dec-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	6.5%	5770	5420	5530	5573	5477	7.2
Northeast	-4.1%	700	730	730	720	708	2.9
Midwest	0.8%	1290	1280	1260	1277	1275	4.0
South	7.2%	2520	2350	2370	2413	2345	8.2
West	18.9%	1260	1060	1170	1163	1148	11.5
Median Sales Price (\$, NSA)	1.5%	270100	266200	274500	270267	270783	8.0

Source: National Association of Realtors