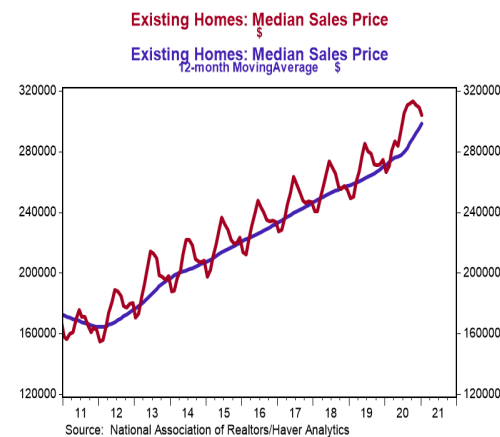
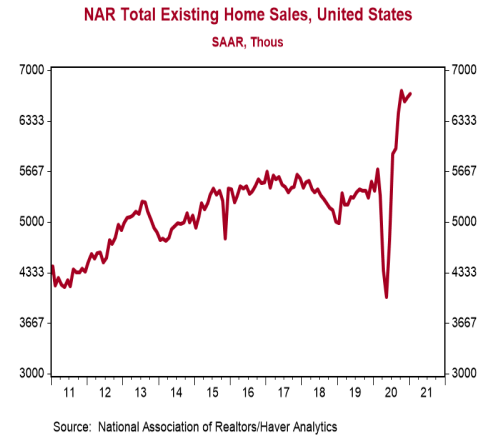


January Existing Home Sales

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- Existing home sales increased 0.6% in January to a 6.690 million annual rate, beating the consensus expected 6.600 million. Sales are up 23.7% versus a year ago.
- Sales in January rose in the South and Midwest, but fell in the West and Northeast. The increase was due to both single-family homes and condos/coops.
- The median price of an existing home fell to \$303,900 in January (not seasonally adjusted) but is up 14.1% versus a year ago. Average prices are up 11.5% versus last year.

Implications: There wasn't much to get excited about in today's existing home sales report, with a headline gain of just 0.6%. That said, sales continue to hover around the highest levels since 2006, with every major region showing 20%+ gains in the past year. 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 17.4% from pre-pandemic levels. Looking ahead, it's likely the February 2021 reading will be tepid due to the polar vortex the country is currently experiencing, which has blanketed the US with the heaviest snowfall in at least 18 years. However, we expect sales will rebound in the spring and remain robust in 2021 for several reasons. First, a strengthened trend toward work-from-home is likely to remain in place even as pandemic related measures are eased around the country. Many companies that previously required workers to be in the office changed their policies during the pandemic and it will be hard to reverse them. That means people who were previously tied to specific locations, typically in urban areas, will have more flexibility going forward, making more space in the suburbs an attractive proposition. Another major factor will be ongoing support from the Fed's liquidity policies, which have helped push 30-year fixed mortgage rates to record lows, boosting affordability. It also looks like there is still significant pent-up demand from the pandemic, with buyer urgency so strong in January that 71% of the existing 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 25.7% versus a year ago (the most accurate 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 1.9, matching December's reading, which was the lowest 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 20%+ 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 76.7% in the past year! This has put considerable upward pressure on median prices, which are now up 14.1% in the past year versus a gain of 6.8% in the twelve months ending in January 2020.



Existing Home Sales	Jan-21		Dec-20	Nov-20	3-month	6-month	Yr to Yr	
	Seasonally Adjusted Unless Noted, Levels in Thous.	% Ch.	level	level	level	moving avg.	moving ave.	% Change
Existing Home Sales		0.6%	6690	6650	6590	6643	6512	23.7
Northeast		-2.2%	870	890	860	873	847	24.3
Midwest		1.9%	1570	1540	1530	1547	1520	22.7
South		3.2%	2940	2850	2820	2870	2805	25.1
West		-4.4%	1310	1370	1380	1353	1340	21.3
Median Sales Price (\$, NSA)		-1.7%	303900	309200	310800	307967	309800	14.1

Source: National Association of Realtors