

February Existing Home Sales

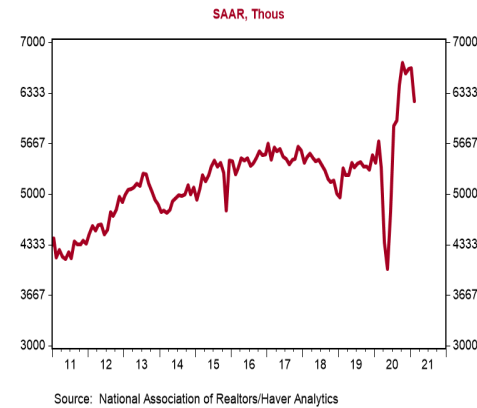
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- Existing home sales declined 6.6% in February to a 6.220 million annual rate, below the consensus expected 6.490 million. Sales are up 9.1% versus a year ago.
- Sales in February fell in the Midwest, Northeast, and South, but rose in the West. The decline was due to both single-family homes and condos/coops.
- The median price of an existing home rose to \$313,000 in February (not seasonally adjusted) and is up 15.8% versus a year ago. Average prices are up 12.6% versus last year.

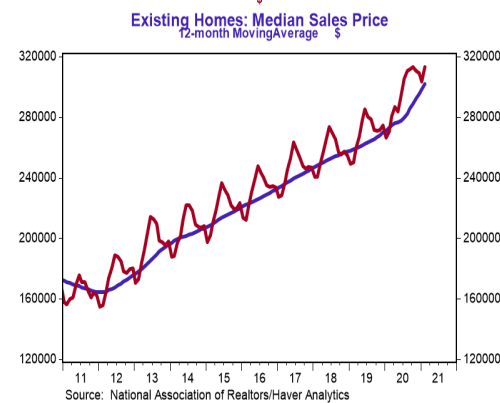
Implications: Although they are still up 9.1% from a year ago, existing home sales took a tumble in February, as harsh winter weather from the polar vortex and declining affordability weighed on closings. It also looks like widespread vaccine distribution, the reopening of the US economy, and rising inflation expectations have all begun to show up in interest rates, with February alone posting a 50 basis point increase in 30-year fixed mortgage rates. Mortgage rates are still down from early 2020, but the upward trend represents a headwind for sales, especially with median prices up 15.8% in the past year. Meanwhile, the low inventory of existing homes continues to be a drag on sales as well. Today's report showed that inventories were tied with January as the lowest for any month on record back to 1999 and are down 29.5% 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 2.0, just above January's reading of 1.9, which was the lowest on record back to 1999, as well. 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. However, despite these issues we expect sales to rebound in the spring and remain robust in 2021.

First, a 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, making more space in the suburbs an attractive proposition. Second, it also looks like there is still significant pent-up demand from the pandemic, with buyer urgency so strong in February that 74% of the existing homes sold were on the market for less than a month. Finally, there are significant demographic tailwinds coming together for home sales for the foreseeable future. According to Pew Research, in 2019 Millennials surpassed the Baby Boomers as the largest living generation. The biggest cohort of Millennial births was in 1990 meaning that group is turning 31 this year, and Census Bureau population projections show that the key homebuying population of those 30-49 years old is set to grow significantly through 2039. In 2020, for the first time, Millennials accounted for over half of new mortgages according to data from Realtor.com. Look for sales to continue to trend higher as more of this huge demographic enter the housing market.

NAR Total Existing Home Sales, United States



Existing Homes: Median Sales Price



Existing Home Sales <i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>	Feb-21		Jan-21	Dec-20	3-month	6-month	Yr to Yr
	% Ch.	level	level	level	moving avg.	moving avg.	% Change
Existing Home Sales	-6.6%	6220	6660	6650	6510	6548	9.1
Northeast	-11.5%	770	870	890	843	850	13.2
Midwest	-14.4%	1310	1530	1540	1460	1498	2.3
South	-6.1%	2770	2950	2850	2857	2840	9.9
West	4.6%	1370	1310	1370	1350	1360	12.3
Median Sales Price (\$, NSA)	3.1%	313000	303600	309200	308600	310183	15.8

Source: National Association of Realtors