

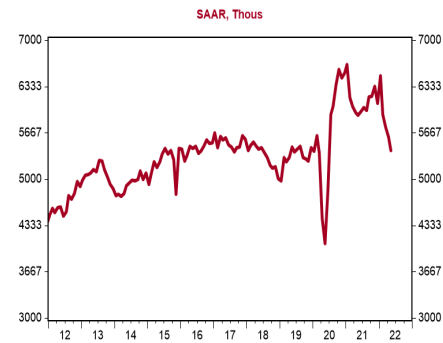
Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Senior Economist
Bryce Gill – Economist

May Existing Home Sales

- Existing home sales declined 3.4% in May to a 5.410 million annual rate, narrowly beating the consensus expected 5.400 million. Sales are down 8.6% versus a year ago.
- Sales in May fell in the West, Midwest and South, but rose in the Northeast. The drop was due to both single-family homes and condos/co-ops.
- The median price of an existing home rose to \$407,600 in May (not seasonally adjusted) and is up 14.8% versus a year ago.

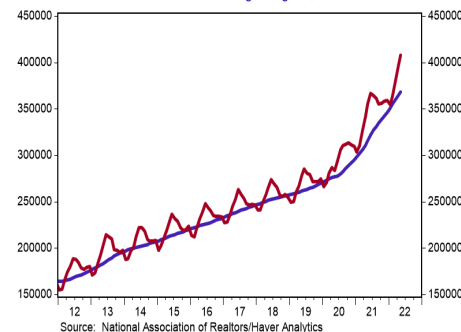
Implications: Existing home sales fell for the fourth month in a row in May, hitting the slowest pace since 2020. Recent volatility shows that the housing market is struggling to find its footing so far in 2022, with falling affordability playing a major role. The prime culprit recently has been 30-year mortgage rates, which have already risen more than 200 basis points since December and now sit above 6% for the first time since 2008. Even more notable than the decline in sales in today’s report is that despite surging mortgage rates median prices are still climbing, posting a fourth consecutive monthly gain in May. Part of this is just seasonality (prices typically rise heading into the summer buying season), and median price growth in the past year has slowed to 14.8% from a peak of 25.2% in May 2021, but the “reverse wealth effect” the Fed has been looking for has yet to show up in the housing market. Assuming a 20% down payment, the rise in mortgage rates and home prices since December amount to a 45% increase in monthly payments on a new 30-year mortgage for the median existing home. No wonder sales have slowed down! Although the months’ supply of existing homes for sale (how long it would take to sell today’s inventory at the current sales pace) rose slightly to 2.6 months in May, inventories are still down 4.1% from a year ago, the best way to look at the data given the seasonality of the housing market. What is really impressive is that despite the lack of options demand remains strong, with buyer urgency so high in May that 88% of existing homes sold were on the market for less than a month. While sales are clearly under pressure, this is not a repeat of 2008/9. We do not foresee a collapse in home sales even with higher mortgage rates, though it is likely that existing home sales wind up moderately lower in 2022 than 2021. More inventory is becoming available, though more slowly than we would like (for details see our [recent report on housing starts](#)), which will eventually help price gains moderate further. Also keep in mind that Millennials are now the largest living generation in the US and have begun to enter the housing market in force, which represents a demographic tailwind for sales for the foreseeable future.

NAR Total Existing Home Sales, United States



Source: National Association of Realtors/Haver Analytics

Existing Homes: Median Sales Price
 Existing Homes: Median Sales Price
 2-month Moving Average



Source: National Association of Realtors/Haver Analytics

Existing Home Sales	May-22		Apr-22	Mar-22	3-month	6-month	Yr to Yr
	% Ch.	level	level	level	moving avg.	moving avg.	% Change
<i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>							
Existing Home Sales	-3.4%	5410	5600	5750	5587	5878	-8.6
Northeast	1.5%	680	670	660	670	702	-9.3
Midwest	-5.3%	1240	1310	1270	1273	1350	-7.5
South	-2.8%	2410	2480	2610	2500	2638	-8.4
West	-5.3%	1080	1140	1210	1143	1188	-10.0
Median Sales Price (\$, NSA)	3.1%	407600	395500	379300	394133	376533	14.8

Source: National Association of Realtors