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December Existing Home Sales

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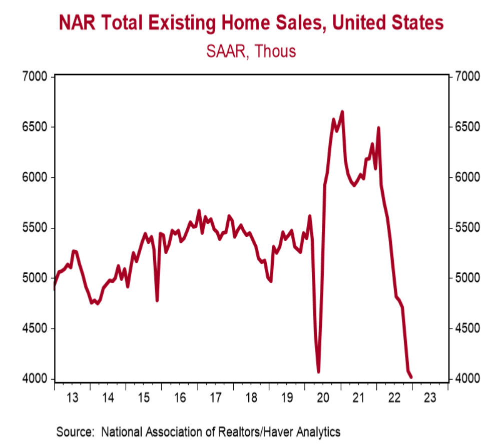
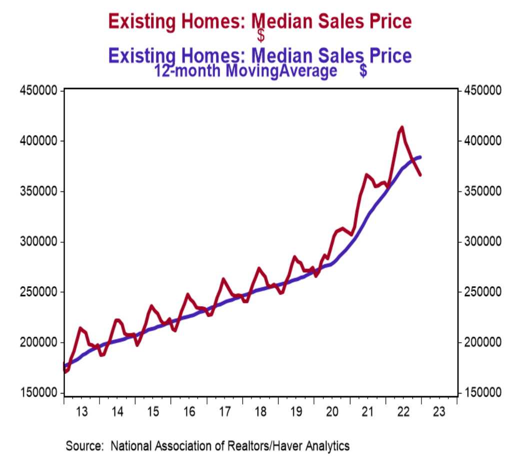
- Existing home sales declined 1.5% in December to a 4.020 million annual rate, beating the consensus expected 3.950 million. Sales are down 34.0% versus a year ago.

- Sales fell in the South, Northeast, and Midwest, but remained unchanged in the West. The drop was due to a decline in sales of both single-family homes and condos/co-ops.

- The median price of an existing home fell to $366,900 in December (not seasonally adjusted) but is up 2.3% versus a year ago.





Implications: Existing home sales closed out 2022 by falling for an eleventh consecutive month in December to the lowest level in over a decade. Falling affordability has played a major role in the record streak of declining reports. The prime culprit is the surge in mortgage rates, with interest rates on 30-yr fixed rate loans currently hovering near 6.5%. The good news is that mortgage rates have recently fallen roughly 100 basis points, which could help stabilize sales in coming months. When you do the math it's not hard to see why home sales have slowed down so rapidly. Assuming a 20% down payment, the rise in mortgage rates and home prices since December 2021 amounts to a 49% increase in monthly payments on a new 30-year mortgage for the median existing home. While financing costs remain a burden, the good news for prospective buyers is that median prices fell for the sixth month in a row in December. Part of this is just seasonality, and even with recent declines median prices were up 2.3% in 2022. Today's report also showed that the inventory of existing homes on the market remains tight. Available listings fell for the fifth month in a row though they were up 10.2% from a year ago (the best way to look at the data given the seasonality of the housing market). Given that many homeowners locked in mortgage rates at rock bottom levels during the pandemic, potential sellers are unlikely to brave a 300+ basis point increase in financing costs by re-entering the market to trade up. Meanwhile, the months' supply of homes (how long it would take to sell existing inventory at the current sales pace) fell to 2.9 in December, well below the benchmark of 5.0 that the National Association of Realtors uses to denote a tight market. Despite the lack of options, homes that are put on the market are still selling quickly: 57% 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 the 2006-11 housing bust. Unlike the previous housing bust, we do not have a massive oversupply of homes. Meanwhile, a flood of new inventories hitting the market due to foreclosure remains unlikely. Adjustable-rate mortgages make up a much smaller share of overall mortgages today than in the lead up to the prior housing crisis. Many current homeowners have locked-in fixed long-term mortgages at extremely low interest rates, which would make them very reluctant to default on their mortgage even if the economy turns for the worse. Expect sales and prices to drag on in the year ahead, with no real recovery in housing until at least late 2023 or early 2024.

Existing Home Sales	Dec-22		Nov-22	Oct-22	3-month	6-month	Yr to Yr
Seasonally Adjusted Unless Noted, Levels in Thous.	% Ch.	level	level	level	moving avg.	moving avg.	% Change
Existing Home Sales	**-1.5%**	**4020**	4080	4430	4177	4473	-34.0
Northeast	**-1.9%**	**520**	530	570	540	578	-28.8
Midwest	**-1.0%**	**1010**	1020	1080	1037	1102	-30.3
South	**-2.2%**	**1800**	1840	1980	1873	1992	-33.1
West	**0.0%**	**690**	690	800	727	802	-43.4
Median Sales Price ($, NSA)	**-1.5%**	**366900**	372600	378800	372767	382117	2.3

Source: National Association of Realtors