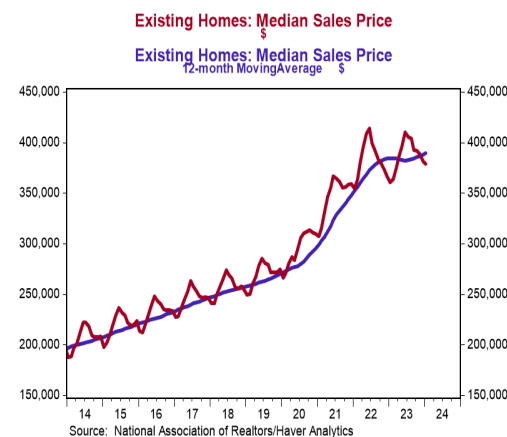
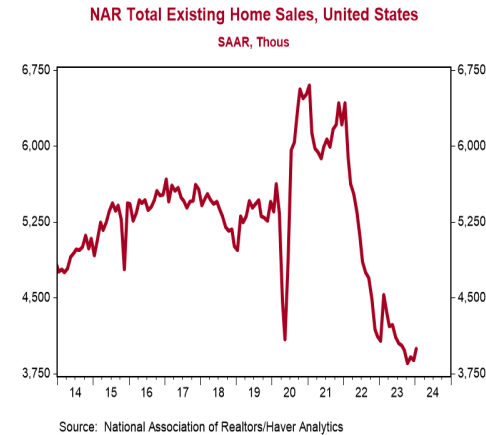


January Existing Home Sales

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- Existing home sales increased 3.1% in January to a 4.000 million annual rate, narrowly beating the consensus expected 3.970 million. Sales are down 1.7% versus a year ago.
- Sales in January rose in the West, South and Midwest, but remained unchanged in the Northeast. The gain in January was entirely due to single-family homes. Sales of condos/co-ops were unchanged in January.
- The median price of an existing home fell to \$379,100 in January (not seasonally adjusted) but is up 5.1% versus a year ago.

Implications: Existing home sales started 2024 on a healthy note, rising 3.1% in January. It looks like sales activity may finally be stabilizing after two years of declines which have been the worst since the lead up to the Great Financial Crisis. While one month doesn't make a trend, the good news is that the most significant headwind for the housing market is beginning to abate. Recent optimism around inflation and rate cuts from the Federal Reserve has led to a rapid decline in interest rates across the board. For example, though 30-year mortgage rates remain around 7%, they are down since peaking above 8% at the end of October. That said, affordability is still a big concern for buyers. Assuming a 20% down payment, the rise in mortgage rates since the Federal Reserve began its current tightening cycle in March 2022 amounts to a 25% increase in monthly payments on a new 30-year mortgage for the median existing home. Eventually, the housing market can adapt to these increases but continued volatility in financing costs will cause some indigestion. In addition, many existing homeowners are reluctant to sell due to a "mortgage lock-in" phenomenon, after buying or refinancing at much lower rates before 2022. This continues to limit future existing sales (and inventories). Case in point, the months' supply of homes (how long it would take to sell existing inventory at the current very slow sales pace) was 3.0 in January, well below the benchmark of 5.0 that the National Association of Realtors uses to denote a normal market. A tight inventory of existing homes means that while the pace of sales looks worse than 2008, we aren't seeing that translate to a big decline in prices. In fact, home prices appear to be rising again, although modestly, with the median price of an existing home up 5.1% from a year ago. Putting this together, it looks like sales are near a bottom and we expect a modest recovery in 2024. In employment news this morning, initial claims for jobless benefits declined by 12,000 last week to 201,000, while continuing claims fell by 27,000 to 1.862 million. These figures suggest continued job growth in February.



Existing Home Sales	Jan-24		Dec-23	Nov-23	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	3.1%	4000	3880	3910	3930	3942	-1.7
Northeast	0.0%	480	480	480	480	480	-5.9
Midwest	2.2%	950	930	950	943	948	-3.1
South	4.0%	1840	1770	1810	1807	1802	-1.6
West	4.3%	730	700	670	700	712	2.8
Median Sales Price (\$, NSA)	-0.6%	379100	381400	387800	382767	389467	5.1

Source: National Association of Realtors