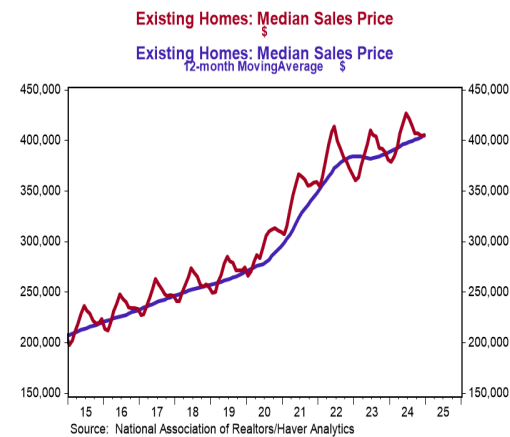
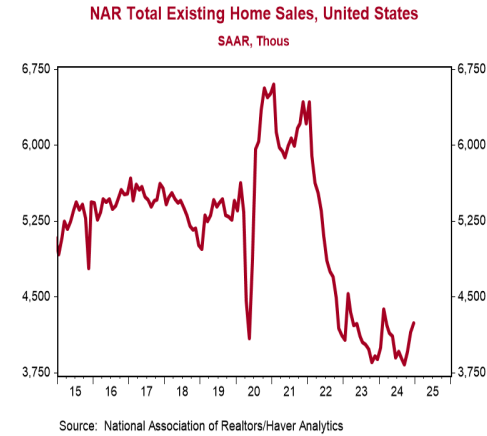


December Existing Home Sales

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

- Existing home sales increased 2.2% in December to a 4.240 million annual rate, narrowly beating the consensus expected 4.200 million. Sales are up 9.3% versus a year ago.
- Sales in December rose in the Northeast, South, and West, but fell in the Midwest. The gain in December was due to both single-family homes and condos/co-ops.
- The median price of an existing home was unchanged at \$404,400 in December (not seasonally adjusted) but is up 6.0% versus a year ago.

Implications: In spite of hitting a full year total that was the lowest in nearly 30 years, existing home sales finished out 2024 on a healthy note. Notably, sales are up 9.3% in the past year, the fastest 12-month gain since 2021. While the recent recovery is positive news, sales activity still has a long way to go. The 4.240 million pace of December is well below the roughly 5.250 million annual pace that existed pre-COVID, let alone the 6.500 million pace during COVID. One problem recently is that since the Federal Reserve began cutting interest rates in September 2024, 30-year fixed mortgage rates have risen back above 7%. So at least so far, the widely anticipated shot in the arm to the housing market from improved affordability hasn't happened and most buyers continue to sit on the fence. Meanwhile, home prices are rising again with the median price of an existing home up 6.0% from a year ago. Speaking of price, it looks like the housing market has bifurcated. While the sales of homes worth \$250,000 and above are up at double-digit percent rates in the past year, sales for homes below this threshold have continued to fall. On a positive note this demonstrates that, at least at the higher end of the market, both buyers and sellers are beginning to adjust to the new reality of higher rates. However, it also suggests that inventory at the lower end of the price spectrum has all but disappeared after the inflation of the past few years, pricing whole swaths of potential buyers out of the market. Moreover, many existing homeowners remain reluctant to sell due to a "mortgage lock-in" phenomenon, after buying or refinancing at much lower rates before 2022. This remains a major impediment to activity by limiting future existing sales (and inventories). However, there are signs of progress with inventories rising 16.2% in the past year. That has helped push the months' supply of homes (how long it would take to sell existing inventory at the current very slow sales pace) to 3.3 in December, a considerable improvement versus the past few years, but still 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 like 2008, we aren't seeing that translate to a big decline in prices. In other recent news on the labor market, initial jobless claims rose 6,000 last week to 223,000, while continuing claims increased 46,000 to 1.899 million. These figures are consistent with continued job growth in January, but at a slower pace than the year before. Finally, the Kansas City Fed Manufacturing Index, a measure of factory sentiment in that region, remained unchanged at -5 in January.



Existing Home Sales	Dec-24		Nov-24	Oct-24	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	2.2%	4240	4150	3960	4117	4003	9.3
Northeast	3.9%	530	510	470	503	490	10.4
Midwest	-1.0%	990	1000	950	980	945	6.5
South	3.2%	1930	1870	1770	1857	1807	9.0
West	2.6%	790	770	770	777	762	12.9
Median Sales Price (\$, NSA)	0.0%	404400	404400	406800	405200	409650	6.0

Source: National Association of Realtors