

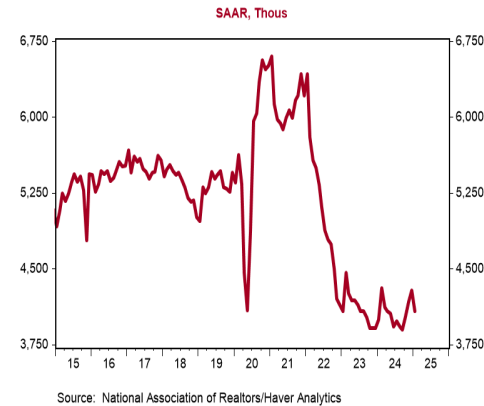
January Existing Home Sales

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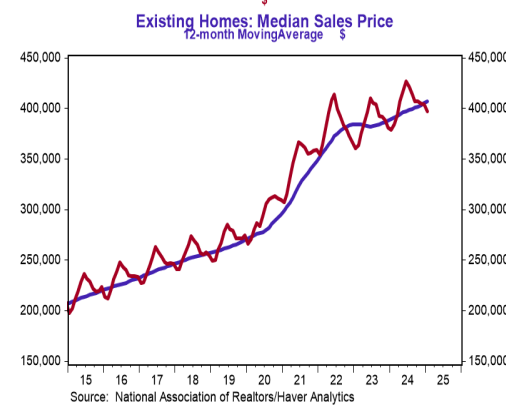
- Existing home sales declined 4.9% in January to a 4.080 million annual rate, lagging the consensus expected 4.130 million. Sales are up 2.0% versus a year ago.
- Sales in January fell in the West, South, and Northeast, but remained unchanged in the Midwest. The drop in January was due to both single-family homes and condos/co-ops.
- The median price of an existing home declined to \$396,900 in January (not seasonally adjusted) but is up 4.8% versus a year ago.

Implications: Existing home sales continued to struggle in January, starting off 2025 on a weak note following three consecutive gains. Sales activity has been characterized by fits and starts since 2022, with any positive upward trend eventually running into a ceiling of around 4.300 million. The 4.080 million pace of January 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 4.8% 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 in the past year (with sales in most price categories up at double-digit percent rates), 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 at the lower end of the price spectrum two things are happening...inflation has pushed a large majority of homes above this price level, meaning many lower income Americans are basically priced out of the existing home 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 16.8% 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 3.5 in January, 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 5,000 last week to 219,000, while continuing claims increased 24,000 to 1.869 million. These figures are consistent with continued job growth in February, but at a slower pace than in 2024. Finally, the Philadelphia Fed Manufacturing Index, a measure of factory sentiment in that region, fell to a still healthy 18.1 in February from 44.3 in January.

NAR Total Existing Home Sales, United States



Existing Homes: Median Sales Price



Existing Home Sales	Jan-25		Dec-24	Nov-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	-4.9%	4080	4290	4170	4180	4067	2.0
Northeast	-5.7%	500	530	510	513	495	4.2
Midwest	0.0%	1000	1000	1000	1000	970	5.3
South	-6.2%	1830	1950	1890	1890	1832	0.0
West	-7.4%	750	810	770	777	770	1.4
Median Sales Price (\$, NSA)	-1.7%	396900	403700	404400	401667	405450	4.8

Source: National Association of Realtors