

December Existing Home Sales

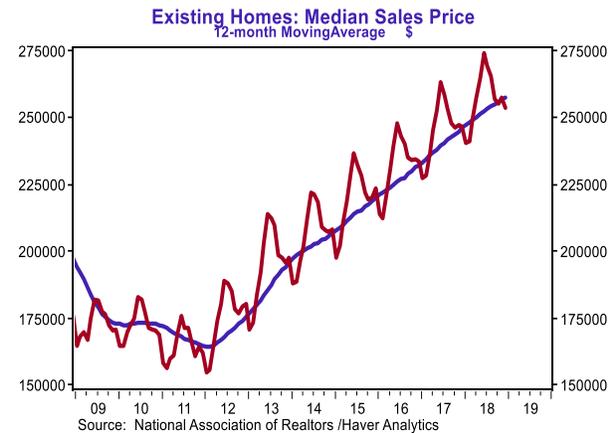
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- Existing home sales declined 6.4% in December to a 4.99 million annual rate, falling well short of the consensus expected 5.24 million. Sales are down 10.3% versus a year ago.
- Sales in December fell in all four major regions and for both single-family homes and condos/coops.
- The median price of an existing home declined to \$253,600 in December (not seasonally adjusted), but is up 2.9% versus a year ago. Average prices are up 1.6% versus last year.

NAR Total Existing Home Sales, United States
 SAAR, Thous



Existing Homes: Median Sales Price



Implications: Existing home sales closed 2018 on our sour note, down 6.4% in December and down 10.3% from a year ago. And the December declines were not strictly a regional issue, with a slowdown in sales for each of the four major regions and for both single-family homes and condos/coops. One reason for the weakness in sales is the rise in mortgage rates and drop in the stock market this past fall, although rates have since receded and the stock market has rebounded. In addition, homeowners in high-tax states are likely also facing headwinds due to the new \$10,000 cap on state and local deductions. But the primary culprit behind the tempered housing market has been the ongoing lack of supply. The months' supply of existing homes – how long it would take to sell the current inventory at the most recent sales pace – declined to 3.7 months in December, as a 190,000 unit decline in inventories more than offset a slower pace of sales. The month's supply of existing homes has now stood below 5.0 since late 2015 - the level the National Association of Realtors (NAR) considers tight. The good news is that inventories have finally been turning a corner, rising on a year-over-year basis - the best measure for inventories given the seasonality of the data - for the fifth month in a row after 38 straight months of stagnation and declines. If sellers really are changing their behavior, a reversal in the steady decline of listings we've seen since mid-2015 would be a welcome reprieve for buyers, boosting supply and sales, as well. Even with the current lack of choices, the demand for the existing homes that are for sale has remained remarkably strong, with 39% of homes sold in December remaining on the market for less than a month. Higher demand and a shift in the "mix" of homes sold toward more expensive properties has also driven up the median sales price, which is up 2.9% from a year ago. Many analysts have suggested rising mortgage rates will signal the end for the housing market recovery. However, continued strength in the job market, rising wages, and a turnaround in housing inventory should offset higher financing headwinds going forward. Further, mortgage rates peaked at the beginning of November and have been trending lower since, which should help support activity on the margin (remember, the closings in December represent contract signings and search processes taking place around when mortgage rates peaked, so the impact from lower rates would show in the months ahead). It won't be a straight line higher, but fears that the housing recovery is over are overblown.

Existing Home Sales	Dec-18		Nov-18	Oct-18	3-month	6-month	Yr to Yr
	%Ch.	level	level	level	moving avg.	moving ave.	%Change
<i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>							
Existing Home Sales	-6.4%	4990	5330	5220	5180	5227	-10.3
Northeast	-6.8%	690	740	690	707	693	-6.8
Midwest	-11.2%	1190	1340	1270	1267	1268	-10.5
South	-5.4%	2090	2210	2150	2150	2172	-8.7
West	-1.9%	1020	1040	1110	1057	1093	-15.0
Median Sales Price (\$, NSA)	-1.4%	253600	257300	255100	255333	259633	2.9

Source: National Association of Realtors