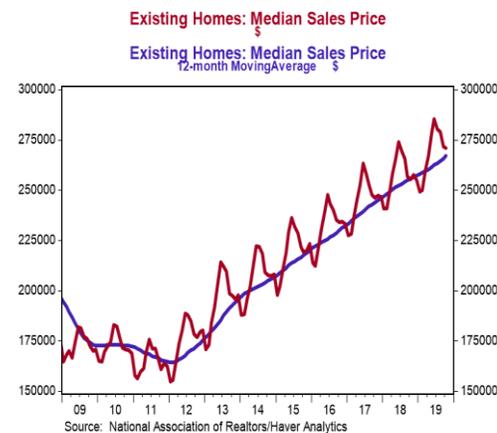
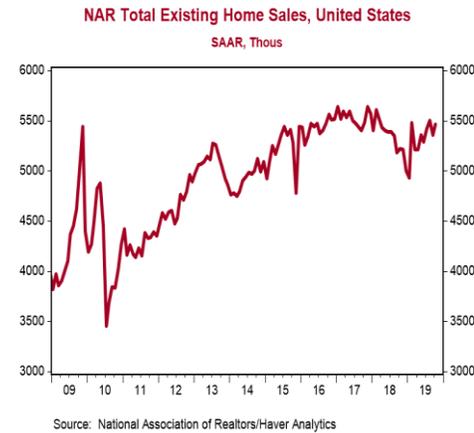


October Existing Home Sales

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- Existing home sales increased 1.9% in October to a 5.460 million annual rate, just below the consensus expected 5.490 million. Sales are up 4.6% versus a year ago.
- Sales in October rose in the South and Midwest but fell in the Northeast and West. The gain was entirely due to single-family homes. Sales of condos/coops remained unchanged in October.
- The median price of an existing home fell to \$270,900 in October (not seasonally adjusted) but is up 6.2% versus a year ago. Average prices are up 4.7% versus last year.

Implications: Existing home sales rebounded in October and the broader upward trend in sales that began in January remains intact. However, one piece of worrying news in today’s report was that the inventory of existing homes listed for sale has now fallen year-over-year (the best measure for inventories given the seasonality of the data) since June, following ten straight months of gains. This is concerning because it represents a consistent reversal in the upward trend in listings we had been seeing earlier this year and will likely be a headwind for future sales. Keep in mind, the primary culprit behind the weak existing home market in 2018 was lack of supply. It’s also important to note that the months’ supply of existing homes – how long it would take to sell the current inventory at the most recent sales pace – was only 3.9 months in October and has now stood below 5.0 (the level the National Association of Realtors considers tight) since late 2015. With demand so strong that 46% of homes sold in October were on the market for less than a month, inventories remain crucial to sales activity going forward. The good news is that builders are beginning to respond, with the number of permits for new residential construction surging over the past several months to post-recession high and the total number of units under construction sitting just below that benchmark. As these properties are finished, and people trade up or down to a new home, more inventory of existing homes will become available. More construction will be doubly important for properties worth \$250k or less, where sales growth remains negative. What this means is that the “mix” of homes sold is more and more tilted towards the higher end. When you add in mortgage rates that have fallen roughly 110 basis points since their peak in November 2018, it’s no surprise that the year-over-year growth in median prices has begun to reaccelerate. This measure had been slowing consistently since early 2017 but is now up 6.2% in the past year versus its low of just 3.3% in December. Fears the housing recovery have ended are overblown. In other news this morning, initial jobless claims remained unchanged last week at 227,000, while continuing claims rose 3,000 to 1.695 million. Finally, on the manufacturing front this morning, the Philly Fed Index, a measure of East Coast factory sentiment, rose to +10.4 in November from +5.6 in October, signaling resilience in the manufacturing sector.



| Existing Home Sales | Oct-19 | | Sep-19 | Aug-19 | 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 | 1.9% | 5460 | 5360 | 5500 | 5440 | 5398 | 4.6 |
| Northeast | -1.4% | 690 | 700 | 710 | 700 | 685 | 0.0 |
| Midwest | 1.6% | 1290 | 1270 | 1310 | 1290 | 1270 | 2.4 |
| South | 4.4% | 2350 | 2250 | 2330 | 2310 | 2307 | 7.8 |
| West | -0.9% | 1130 | 1140 | 1150 | 1140 | 1137 | 3.7 |
| Median Sales Price (\$, NSA) | -0.2% | 270900 | 271500 | 278900 | 273767 | 277533 | 6.2 |

Source: National Association of Realtors