

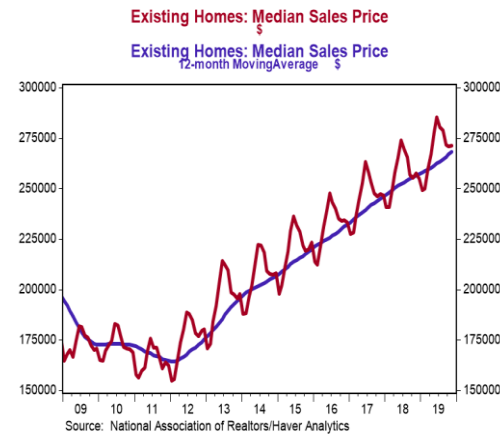
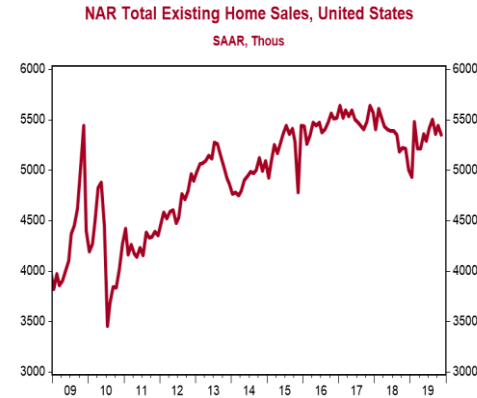
November Existing Home Sales

Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Senior Economist

- Existing home sales declined 1.7% in November to a 5.350 million annual rate, below the consensus expected 5.440 million. Sales are up 2.7% versus a year ago.
- Sales in November fell in the South and West but rose in the Midwest and Northeast. The drop was due to both single-family homes and condos/coops.
- The median price of an existing home rose to \$271,300 in November (not seasonally adjusted) but is up 5.4% versus a year ago. Average prices are up 4.0% versus last year.

Implications: Existing home sales gave up ground in November following a rebound in October, demonstrating the volatile nature of the growth in sales since the upward trend began early this year. Putting aside the headline number, the real 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 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 3.7 months in November and has now stood below 5.0 (the level the National Association of Realtors considers tight) since late 2015. With demand so strong that 45% of homes sold in November 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 both permits for new residential construction and the total number of housing units under construction rising consistently over the past several months to post-recession highs.

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 have sputtered. What this means is that the “mix” of homes sold is more tilted toward the higher end. When you add in mortgage rates that have fallen roughly 110 basis points since the peak in November 2018, it’s no surprise that the year-over-year growth in median prices has begun to reaccelerate and is now up 5.4% in the past year versus its low of just 3.3% in December. In other news this morning, initial jobless claims fell 18,000 last week to 234,000, while continuing claims rose 51,000 to 1.722 million. The recent increase in claims from prior lows likely reflects volatility that often occurs between Thanksgiving and MLK Day and should not cause concern. Finally, on the manufacturing front this morning, the Philly Fed Index, a measure of East Coast factory sentiment, fell unexpectedly to +0.3 in December from +10.4 in November. Despite the weak headline, the forward-looking components of the report were strong with new orders, hiring expectations, and capital expenditure plans all rising. It’s also important to note that the survey period for December fell before the announcement of a Phase 1 trade deal with China, which should boost sentiment going forward.



Existing Home Sales	Nov-19		Oct-19	Sep-19	3-month	6-month	Yr to Yr
	% Ch.	level	level	level	moving avg.	moving ave.	
<i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>							
Existing Home Sales	-1.7%	5350	5440	5360	5383	5393	2.7
Northeast	1.4%	700	690	700	697	690	-1.4
Midwest	2.3%	1320	1290	1270	1293	1285	1.5
South	-3.9%	2240	2330	2250	2273	2288	3.7
West	-3.5%	1090	1130	1140	1120	1130	4.8
Median Sales Price (\$, NSA)	0.1%	271300	271000	271500	271267	276400	5.4

Source: National Association of Realtors