

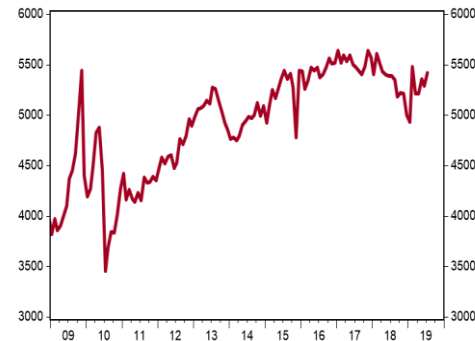
July Existing Home Sales

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

- Existing home sales increased 2.5% in July to a 5.420 million annual rate, narrowly beating the consensus expected 5.400 million. Sales are up 0.6% versus a year ago.
- Sales in July rose in the West, South and Midwest, but fell in the Northeast. The gain was entirely due to single-family homes. Sales condos/coops were unchanged in July.
- The median price of an existing home fell to \$280,800 in July (not seasonally adjusted) but is up 4.3% versus a year ago. Average prices are up 3.1% versus last year.

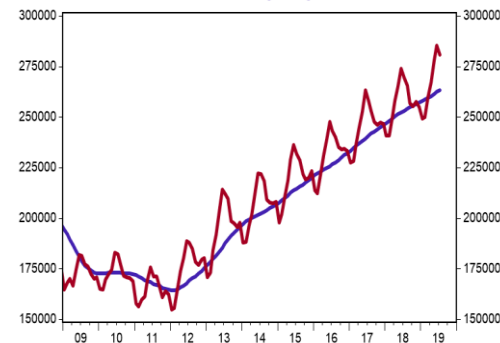
Implications: Existing home sales rebounded in July, continuing the upward trend that began in January. Moreover, the recovery finally pushed sales into positive territory on a year-over-year basis for the first time in seventeen months. That said, one piece of worrying news in today’s report was that inventories have now fallen year-over-year (the best measure for inventories given the seasonality of the data) for two months in a row, following ten straight months of gains. It’s still too soon to tell if this means sellers are changing their behavior, but a reversal in the steady increase in listings we’ve seen recently could be a headwind for future sales. Keep in mind, the primary culprit behind the weak existing home market in 2018 was lack of supply. This is doubly true for properties worth \$250k or less, which is the only market segment where sales are still down in the past year. This deficit of lower end properties is also pushing up their prices at a much faster rate than homes at the higher end of the spectrum, according to the NAR. What this means is that the “mix” of homes sold is more and more tilted towards the higher end, and those homes that are sold on the lower end are getting more expensive. When you add in mortgage rates that have fallen roughly 110 basis points since their peak 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 4.3% in the past year versus its low of just 3.3% in December. 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 4.2 months in July and has now stood below 5.0 (the level the National Association of Realtors considers tight) since late 2015. With demand so strong that 51% of homes sold in July were on the market for less than a month, continued gains in inventories will remain crucial to sales activity going forward. It won’t be a straight line higher for sales in 2019 but fears the housing recovery have ended are overblown.

NAR Total Existing Home Sales, United States
SAAR, Thous



Source: National Association of Realtors/Haver Analytics

Existing Homes: Median Sales Price
Existing Homes: Median Sales Price
12-month Moving Average



Source: National Association of Realtors/Haver Analytics

Existing Home Sales	Jul-19		Jun-19	May-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	2.5%	5420	5290	5360	5357	5328	0.6
Northeast	-2.9%	660	680	670	670	668	-4.3
Midwest	1.6%	1270	1250	1230	1250	1228	0.8
South	1.8%	2310	2270	2330	2303	2305	2.7
West	8.3%	1180	1090	1130	1133	1127	-0.8
Median Sales Price (\$, NSA)	-1.6%	280800	285300	278200	281433	270167	4.3

Source: National Association of Realtors