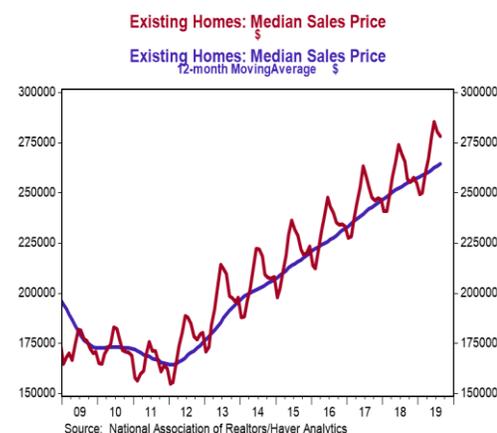
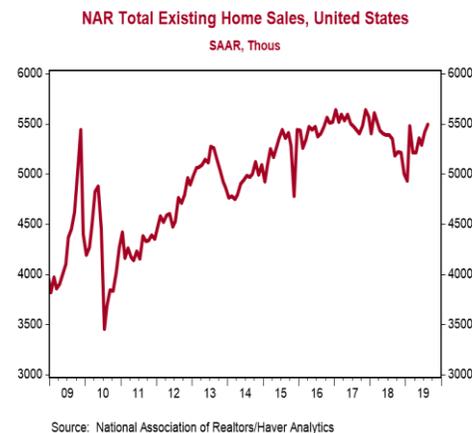


August Existing Home Sales

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- Existing home sales increased 1.3% in August to a 5.490 million annual rate, beating the consensus expected 5.380 million. Sales are up 2.6% versus a year ago.
- Sales in July rose in the Northeast, Midwest, and South, but fell in the West. The gain was due to both single-family homes and condos/coops.
- The median price of an existing home fell to \$278,200 in August (not seasonally adjusted) but is up 4.7% versus a year ago. Average prices are up 3.5% versus last year.

Implications: Existing home sales rose for the second month in a row in August, continuing the upward trend that began in January. Moreover, the recent recovery in sales has now pushed growth positive on a year-over-year basis for two consecutive months following seventeen months of declines. 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) since June, following ten straight months of gains. This is concerning because 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. The good news is that [yesterday’s report on housing starts](#) showed new home construction hit a post-recession high, so builders are beginning to respond. As these properties are finished, and people trade up or down to a new home, more inventory of existing homes will become available. However, it’s important to note that the inventory shortage is doubly important for properties worth \$250k or less, where sales remain down from a year ago and continue to show the most weakness. 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 100 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 4.7% 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 4.1 months in August and has now stood below 5.0 (the level the National Association of Realtors considers tight) since late 2015. With demand so strong that 49% of homes sold in August 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. In employment news this morning, initial jobless claims rose 2,000 last week to 208,000, and continuing claims declined 13,000 to 1.661 million. Plugging this data into our models suggests nonfarm payrolls will continue to grow at a healthy pace in September. Finally, on the manufacturing front, the Philly Fed Index, a measure of East Coast factory sentiment, dropped to still strong +12.0 in September from +16.8 in August.



Existing Home Sales	Aug-19		Jul-19	Jun-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	1.3%	5490	5420	5290	5400	5330	2.6
Northeast	7.6%	710	660	680	683	672	1.4
Midwest	3.1%	1310	1270	1250	1277	1235	2.3
South	0.9%	2330	2310	2270	2303	2300	3.6
West	-3.4%	1140	1180	1090	1137	1123	1.8
Median Sales Price (\$, NSA)	-0.8%	278200	280400	285300	281300	274783	4.7

Source: National Association of Realtors