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January Existing Home Sales

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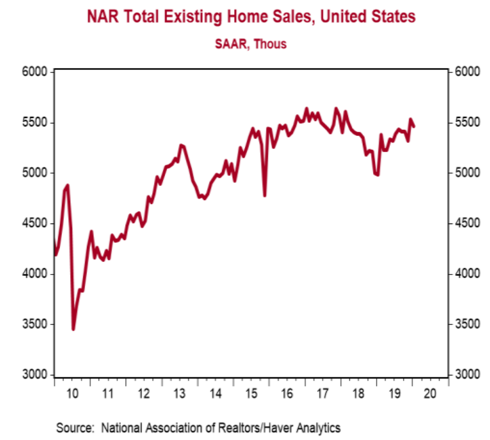
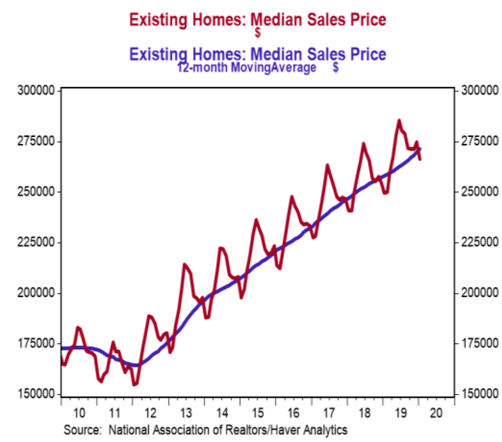
- Existing home sales declined 1.3% in January to a 5.460 million annual rate, narrowly beating the consensus expected 5.440 million. Sales are up 9.6% versus a year ago.
- Sales in January fell in the West, remained unchanged in the Northeast, and rose in the Midwest and South. The decline was due to both single-family homes and condos/coops.
- The median price of an existing home fell to $266,300 in January (not seasonally adjusted) but is up 6.8% versus a year ago. Average prices are up 5.0% versus last year.





Implications: Existing home sales fell slightly in January, but remained on the broader upward trend that began a year ago. The decline in January was entirely contained to the West region while in the rest of the country sales remained unchanged or eked out small gains. That said, the details in today's report were disappointing, as the inventory of existing homes was down 10.7% versus a year ago (the best measure for inventories given the seasonality of the data). Unless reversed soon, this will likely be a headwind for future sales. The primary culprit behind the weak existing home market in 2018 was lack of supply. A consistent decline in inventories along with a rising sales pace has driven down the months' supply – how long it would take to sell the current inventory at the most recent sales pace – to only 3.1 months in January, just above December's reading of 3.0 which was the lowest on record going back to 1999. Notably, this measure has now been below 5.0 months (the level the National Association of Realtors considers tight) since late 2015. With demand so strong that 42% of homes sold in January 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. The total number of housing units under construction and the number of new housing starts have been rising lately and now sit at or just below 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 and the decline in inventories has been the greatest. In other recent news, initial claims for unemployment benefits rose 4,000 last week to 210,000 while continuing claims rose 25,000 to 1.726 million. Despite the increase, both measures remain subdued and signal continued growth in payrolls in February. On the manufacturing front, the Philly Fed Index, a measure of East Coast factory sentiment, surged to +36.7 in February from +17.0 in January. This is the highest reading since early 2017 and echoes a recent rebound in the Empire State Index, pointing to a continued recovery in the US manufacturing sector.

Existing Home Sales	Jan-20		Dec-19	Nov-19	3-month	6-month	Yr to Yr
Seasonally Adjusted Unless Noted, Levels in Thous.	%Ch.	level	level	level	moving avg.	moving ave.	%Change
Existing Home Sales	**-1.3%**	**5460**	5530	5320	5437	5427	9.6
Northeast	**0.0%**	**730**	730	700	720	708	7.4
Midwest	**2.4%**	**1290**	1260	1280	1277	1277	8.4
South	**0.4%**	**2380**	2370	2240	2330	2313	11.7
West	**-9.4%**	**1060**	1170	1100	1110	1128	8.2
Median Sales Price ($, NSA)	**-3.0%**	**266300**	274500	271300	270700	272250	6.8

Source: National Association of Realtors