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November Existing Home Sales

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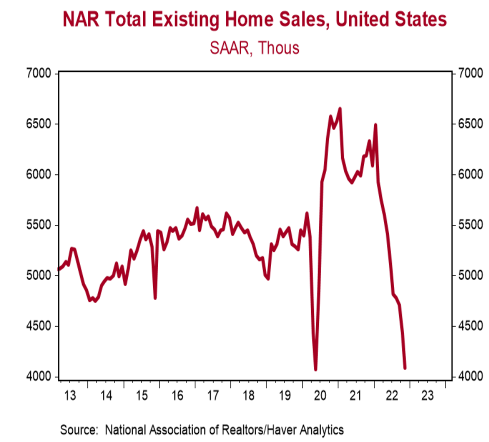
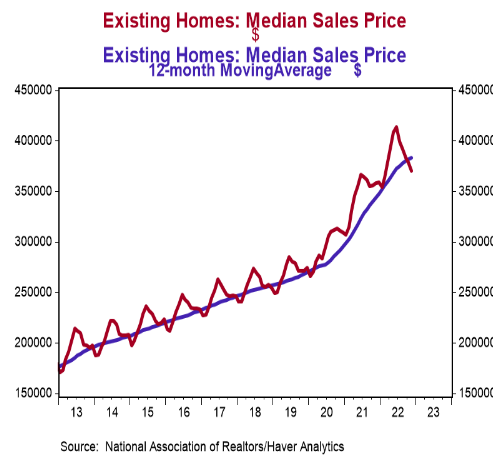
- Existing home sales declined 7.7% in November to a 4.090 million annual rate, lagging the consensus expected 4.200 million. Sales are down 35.4% versus a year ago.
- Sales in November fell in all major regions. The drop was due to a decline in sales of both single-family homes and condos/co-ops.
- The median price of an existing home fell to $370,700 in November (not seasonally adjusted) but is up 3.5% versus a year ago.





Implications: Existing home sales fell for a tenth consecutive month in November, posting the longest streak of declines since records began in 1999. Falling affordability has played a major role in the recent string of weak reports. The prime culprit is the surge in mortgage rates, with interest rates on 30-yr fixed rate loans currently hovering near 6.5%. The good news is that mortgage rates have recently fallen nearly 100 basis points, which could help stabilize sales in coming months. While financing costs remain a burden, the good news for prospective buyers is that median prices fell for the fifth month in a row in November. Part of this is just seasonality, and even with recent declines median prices are up 3.5% in the past year. However, that is a huge slowing from the 25.2% peak in the twelve-month comparison in May 2021. When you do the math it's not hard to see why home sales have slowed down so rapidly. Assuming a 20% down payment, the rise in mortgage rates and home prices since December 2021 amounts to a 52% increase in monthly payments on a new 30-year mortgage for the median existing home. Today's report also showed that the inventory of existing homes on the market remains tight. Available listings fell for the fourth month in a row though they were up 2.7% from a year ago (the best way to look at the data given the seasonality of the housing market). Given that many homeowners locked in mortgage rates at rock bottom levels during the pandemic, potential sellers are unlikely to brave a 300+ basis point increase in financing costs by re-entering the market to trade up. Meanwhile, the months' supply of homes (how long it would take to sell existing inventory at the current sales pace) remained unchanged at 3.3 in November. This reading remains well below the benchmark of 5.0 that the National Association of Realtors uses to denote a tight market. Despite the lack of options, homes that are put on the market are still selling quickly: 61% of existing homes sold were on the market for less than a month. While sales are clearly under pressure, this is not a repeat of 2007-09. Unlike the previous housing bust, we do not have a massive oversupply of homes. Meanwhile a flood of new inventories hitting the market due to foreclosure remains unlikely. Adjustable-rate mortgages make up a much smaller share of overall mortgages today than in the lead up to the prior housing crisis. Many current homeowners have locked-in fixed long-term mortgages at extremely low interest rates, which would make them very reluctant to default on their mortgage even if the economy turns for the worse.

Existing Home Sales	Nov-22		Oct-22	Sep-22	3-month	6-month	Yr to Yr
Seasonally Adjusted Unless Noted, Levels in Thous.	% Ch.	level	level	level	moving avg.	moving avg.	% Change
Existing Home Sales	**-7.7%**	**4090**	4430	4710	4410	4657	-35.4
Northeast	**-7.0%**	**530**	570	610	570	603	-28.4
Midwest	**-5.6%**	**1020**	1080	1140	1080	1138	-30.6
South	**-7.1%**	**1840**	1980	2080	1967	2067	-35.0
West	**-12.5%**	**700**	800	880	793	848	-45.7
Median Sales Price ($, NSA)	**-2.1%**	**370700**	378800	383500	377667	389617	3.5

Source: National Association of Realtors