

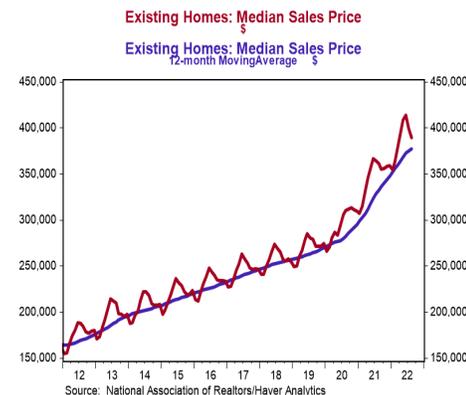
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August Existing Home Sales

- Existing home sales declined 0.4% in August to a 4.800 million annual rate, beating the consensus expected 4.700 million. Sales are down 19.9% versus a year ago.
- Sales in August fell in the Midwest, remained unchanged in the South, and rose in the Northeast and West. The drop was entirely due to single-family homes. Sales of condos/co-ops rose in August.
- The median price of an existing home fell to \$389,500 in August (not seasonally adjusted) but is up 7.7% versus a year ago.

Implications: Existing home sales fell for the seventh month in a row in August, posting the longest streak of declines since 2007. However, the decline in August was also the smallest so far in 2022 at just 0.4% and while it's too early to be certain, sales look like they may be beginning to stabilize. Falling affordability has played a major role in the recent string of weak reports. The prime culprit is the surge in mortgage rates which are now above 6% for the first time since 2008. While financing costs remain a burden, the good news is that median prices fell for the second month in a row in August. Part of this is just seasonality (prices typically begin to fall near the end of the summer buying season), but at least buyers aren't getting squeezed at both ends anymore. Moreover, median price growth in the past year has slowed to 7.7% from a peak of 25.2% in May 2021. That said, 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 amounts to a 48% 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 slightly in August and were flat from a year ago (the best way to look at the data given the seasonality of the housing market). While this is still a notable improvement following thirty-six straight months of annual declines ending in June, don't expect a flood of new listings to materialize anytime soon. Many homeowners locked in mortgage rates at rock bottom levels during the pandemic and are unlikely to brave a 300-basis point increase in financing costs by reentering the market to trade up. What is really impressive is that despite the lack of options, demand remains strong, with buyer urgency so high in August that 81% 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. We do not foresee a widespread collapse in home sales even with higher mortgage rates, though it is likely that existing home sales wind up lower in 2022 than 2021.



Existing Home Sales	Aug-22		Jul-22	Jun-22	3-month	6-month	Yr to Yr
	% Ch.	level	level	level	moving avg.	moving avg.	% Change
<i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>							
Existing Home Sales	-0.4%	4800	4820	5110	4910	5248	-19.9
Northeast	1.6%	630	620	670	640	653	-13.7
Midwest	-3.3%	1160	1200	1230	1197	1237	-15.9
South	0.0%	2130	2130	2250	2170	2335	-19.3
West	1.1%	880	870	960	903	1023	-29.0
Median Sales Price (\$, NSA)	-2.4%	389500	399200	413800	400833	397617	7.7

Source: National Association of Realtors