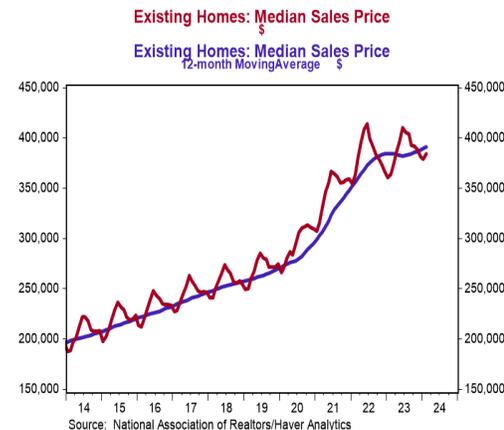
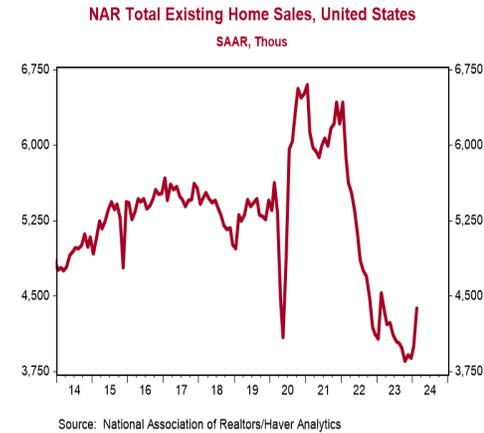


February Existing Home Sales

Bryce Gill – Economist
Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist

- Existing home sales increased 9.5% in February to a 4.380 million annual rate, easily beating the consensus expected 3.950 million. Sales are down 3.3% versus a year ago.
- Sales in February rose in the West, South and Midwest, but remained unchanged in the Northeast. The gain in February was due to both single-family homes and condos/co-ops.
- The median price of an existing home rose to \$384,500 in February (not seasonally adjusted) and is up 5.7% versus a year ago.

Implications: Existing home sales surprised to the upside in February, beating even the most optimistic forecast of any economics group surveyed by Bloomberg. Notably February’s gain was the biggest in a year and comes on the heels of a healthy increase in January as well. It looks like sales activity has finally bottomed and is beginning to recover after two years of declines. Looking at the details, two of the most significant headwinds for the housing market seem to be abating. First, recent optimism around inflation and [rate cuts from the Federal Reserve](#) has led to a rapid decline in interest rates across the board. For example, though 30-year mortgage rates remain around 7%, they are down since peaking above 8% at the end of October. That said, affordability is still a big concern for buyers. Assuming a 20% down payment, the rise in mortgage rates since the Federal Reserve began its current tightening cycle in March 2022 amounts to a 31% increase in monthly payments on a new 30-year mortgage for the median existing home. Eventually, the housing market can adapt to these increases but continued volatility in financing costs will cause some indigestion. The other major headwind for sales has been that many existing homeowners are reluctant to sell due to a “mortgage lock-in” phenomenon, after buying or refinancing at much lower rates before 2022. This continues to limit future existing sales (and inventories). However, there are signs of progress with inventories rising 10.3% in the past year. That said, the months’ supply of homes (how long it would take to sell existing inventory at the current very slow sales pace) was 2.9 in February, well below the benchmark of 5.0 that the National Association of Realtors uses to denote a normal market. A tight inventory of existing homes means that while the pace of sales looks like 2008, we aren’t seeing that translate to a big decline in prices. In fact, home prices appear to be rising again, although modestly, with the median price of an existing home up 5.7% from a year ago. Putting this together, we expect a modest recovery in sales in 2024. In manufacturing news this morning, the Philadelphia Fed Index, a measure of factory sentiment in that region, declined to +3.2 in March from +5.2 in February. Finally, on the employment front, initial claims for jobless benefits declined by 2,000 last week to 210,000, while continuing claims rose by 4,000 to 1.807 million. These figures suggest continued job growth in March.



Existing Home Sales	Feb-24		Jan-24	Dec-23	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	9.5%	4380	4000	3880	4087	4000	-3.3
Northeast	0.0%	480	480	480	480	480	-7.7
Midwest	8.4%	1030	950	930	970	958	-3.7
South	9.8%	2020	1840	1770	1877	1832	-2.9
West	16.4%	850	730	700	760	730	-1.2
Median Sales Price (\$, NSA)	1.6%	384500	378600	381400	381500	386100	5.7

Source: National Association of Realtors