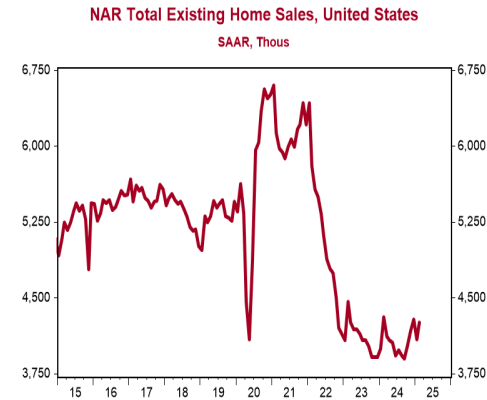


February Existing Home Sales

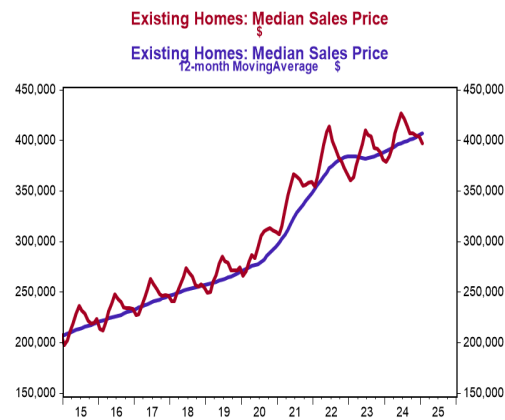
Bryce Gill – Economist
 Brian S. Wesbury – Chief Economist
 Robert Stein, CFA – Dep. Chief Economist

- Existing home sales increased 4.2% in February to a 4.260 million annual rate, beating the consensus expected 3.950. Sales are down 1.2% versus a year ago.
- Sales in February rose in the West and South, remained unchanged in the Midwest, and declined in the Northeast. The gain in February was entirely due to single-family homes. Sales of condos/co-ops declined in February.
- The median price of an existing home increased to \$398,400 in February (not seasonally adjusted) and is up 3.8% versus a year ago.

Implications: Existing home sales surprised to the upside in February, rebounding a healthy 4.2%. Sales activity has been characterized by fits and starts since 2022, with any positive upward trend eventually running into a ceiling of around 4.300 million. While the 4.260 million pace of February is getting close to that apparent ceiling, it’s important to remember that it is still well below the roughly 5.250 million annual pace that existed pre-COVID, let alone the 6.500 million pace during COVID. One problem recently is that lower interest rates from the Federal Reserve (who have since paused rate cuts) haven’t translated into lower 30-year fixed mortgage rates, which remain near 7%. So at least so far, the widely anticipated shot in the arm to the housing market from improved affordability hasn’t happened and most buyers continue to sit on the fence. Meanwhile, home prices are rising again with the median price of an existing home up 3.8% from a year ago. Speaking of price, it looks like the housing market has bifurcated. While the sales of homes worth \$750,000 and above are up in the past year, sales for homes below this threshold have continued to fall. On a positive note this demonstrates that, at least at the higher end of the market, both buyers and sellers are beginning to adjust to the new reality of higher rates. However, it also suggests that at the lower end of the price spectrum inflation has priced many Americans out of the existing home market. Existing home sales also face significant competition from new homes, where in many cases developers are buying down mortgage rates to compete and move inventory. Finally, many existing homeowners remain reluctant to sell due to a “mortgage lock-in” phenomenon, after buying or refinancing at much lower rates before 2022. This remains a major impediment to activity by limiting future existing sales (and inventories). However, there are signs of progress with inventories rising 17.0% in the past year. That has helped push the months’ supply of homes (how long it would take to sell existing inventory at the current very slow sales pace) to 3.5 in February, a considerable improvement versus the past few years, but still 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 other recent news on the labor market, initial jobless claims rose 3,000 last week to 223,000, while continuing claims increased 22,000 to 1.892 million. These figures are consistent with continued job growth in March, but at a slower pace than in 2024. Finally, the Philadelphia Fed Manufacturing Index, a measure of factory sentiment in that region, fell to a still healthy 12.5 in March from 18.1 in February.



Source: National Association of Realtors/Haver Analytics



Source: National Association of Realtors/Haver Analytics

Existing Home Sales	Feb-25		Jan-25	Dec-24	3-month	6-month	Yr to Yr
<i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>	% Ch.	level	level	level	moving avg.	moving avg.	% Change
Existing Home Sales	4.2%	4260	4090	4290	4213	4123	-1.2
Northeast	-2.0%	500	510	530	513	498	4.2
Midwest	0.0%	1000	1000	1000	1000	982	1.0
South	4.4%	1910	1830	1950	1897	1855	-4.0
West	13.3%	850	750	810	803	788	0.0
Median Sales Price (\$, NSA)	1.3%	398400	393400	403700	398500	402233	3.8

Source: National Association of Realtors