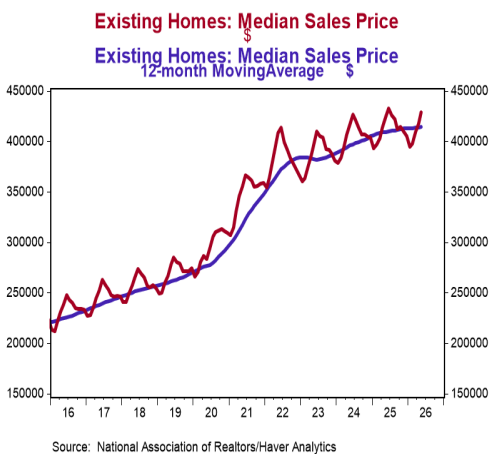
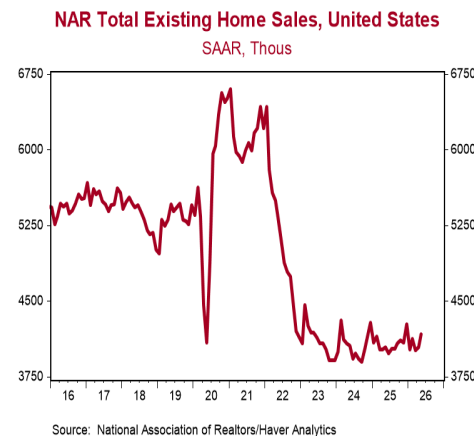


May Existing Home Sales

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- Existing home sales increased 3.2% in May to a 4.170 million annual rate, beating the consensus expected 4.070 million. Sales are up 3.2% versus a year ago.
- Sales in May rose in the Midwest, South, and Northeast but remained unchanged in the West. The gain in sales in May was entirely due to single-family homes. Sales of condos/co-ops remained unchanged in May.
- The median price of an existing home increased to \$429,300 in May (not seasonally adjusted) and is up 1.3% versus a year ago.

Implications: Existing home sales beat expectations in May, rising 3.2% to the fastest pace of sales this year. Despite topping every forecast submitted to Bloomberg, activity remains disappointingly low. Looking at the big picture, sales have been stuck around a 4.000 million pace for three years now, about the same pace as in the aftermath of the Great Financial Crisis, and well below the roughly 5.250 million annual pace pre-COVID (let alone the 6.500 million pace during COVID). The main issue remains affordability which has taken a turn for the worse recently due to the Iran War raising energy costs and having an upward impact on short-term inflation. The result has been a rapid increase in 30-year mortgage rates, which have moved 50 basis points higher since February and now sit around 6.6%. Higher inflation also takes further easing from the Federal Reserve off the table, with the futures market now pricing in a quarter-point rate *hike* later this year. But as we wrote [yesterday](#), we believe the inflationary impact of the Iran war is temporary given the tight monetary conditions that preceded it, and expect both inflation and interest rates to move lower after the conflict subsides. Buyers also face an ongoing headwind from tight inventories. The good news is that existing-home inventory is tied for the highest level since the pandemic. That said, the months' supply of homes (how long it would take to sell existing inventory at the current very slow sales pace) was 4.5 in May, below the benchmark of 5.0 that the National Association of Realtors uses to denote a normal market. Many existing homeowners also remain reluctant to sell due to a "mortgage lock-in" phenomenon, after buying or refinancing at much lower rates before 2022. This means potential buyers will have to continue to deal with limited options. 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. The good news for buyers is that the median price of an existing home is up only 1.3% versus a year ago. Aggregate wage growth (hourly earnings plus hours worked) has been consistently outpacing median home price gains over the past year for the first time since 2023, which improves affordability. While May's report was a welcome sign, we expect these cross currents to keep activity constrained for the near term.



Existing Home Sales	May-26		Apr-26	Mar-26	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		3.2%	4170	4040	4010	4073	4107	3.2
Northeast		2.2%	460	450	450	453	473	-8.0
Midwest		6.4%	1000	940	930	957	958	2.0
South		3.2%	1960	1900	1860	1907	1915	5.9
West		0.0%	750	750	770	757	760	5.6
Median Sales Price (\$, NSA)		2.8%	429300	417500	409100	418633	409000	1.3

Source: National Association of Realtors