

Economic Indicator — July 22, 2021

Existing Home Sales Rise in June

Summary

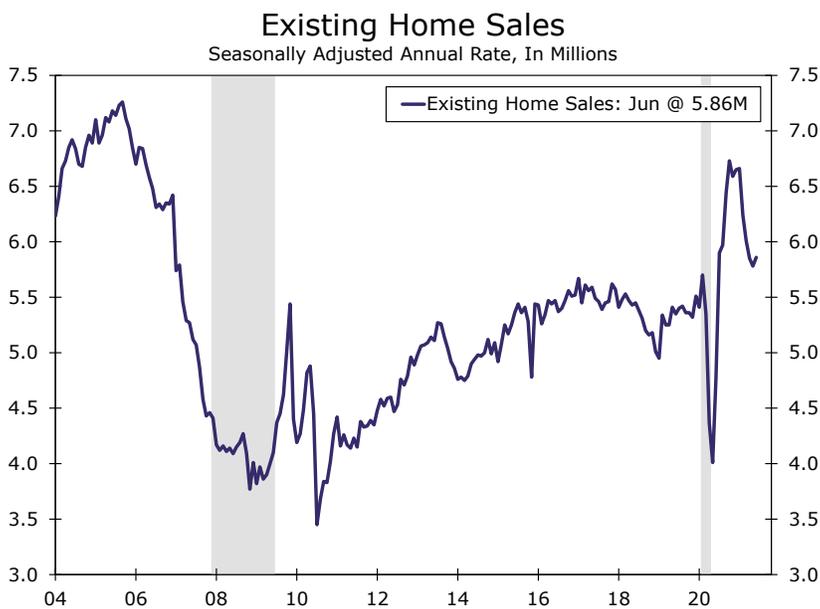
Inventory Growth Makes Room for an Upturn in Sales

- Existing home sales rose 1.4% during June to a 5.86 million-unit pace, ending a four-month streak of declines.
- Both single-family and condo/co-op sales advanced 1.4% during the month.
- Inventory levels continue to slowly climb. Total inventories rose 3.3% during the month to 1.25 million. However, inventories, which are down 18.8% over the past year, are still incredibly tight.
- Low inventories continue to boost price appreciation, with median prices rising 23.4% over the past year.
- Properties remained on the market for 17 days in June, which was unchanged from the prior month, but down from 24 days a year ago.
- Resales rose 3.1% in the Midwest, and increased 2.8% in the Northeast. The West registered a 1.7% improvement, while sales were unchanged in the South.

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Existing Sales Advance as Inventories Improve

Existing home sales increased 1.4% during June to a 5.86 million-unit pace, ending a four-month streak of declines. The turnaround is a reminder that, while home buying activity has cooled off this year alongside shrinking inventories and skyrocketing prices, underlying demand for homes remains strong. One piece of evidence for still-robust demand is that homes continue to sell very quickly. Properties remained on the market for an average of 17 days in June, which was unchanged from the prior month, but down from 24 days a year ago.

Both single-family and condo/co-op sales advanced 1.4% during the month. Total resales also picked up in every major region. Sales grew 3.1% in the Midwest, and increased 2.8% in the Northeast. The West registered a 1.7% improvement, while sales were unchanged in the South.

The increase in sales comes as inventory levels continue to slowly climb. Total inventories rose 3.3% during the month to 1.25 million. On a month-to-month basis, inventories have now risen for four straight months. That said, housing supplies are still incredibly tight, with inventories down 18.8% over the past year. Still, the uptick in inventories is an encouraging sign that more sellers are putting their homes up for sale as COVID risks subside and home values ascend.

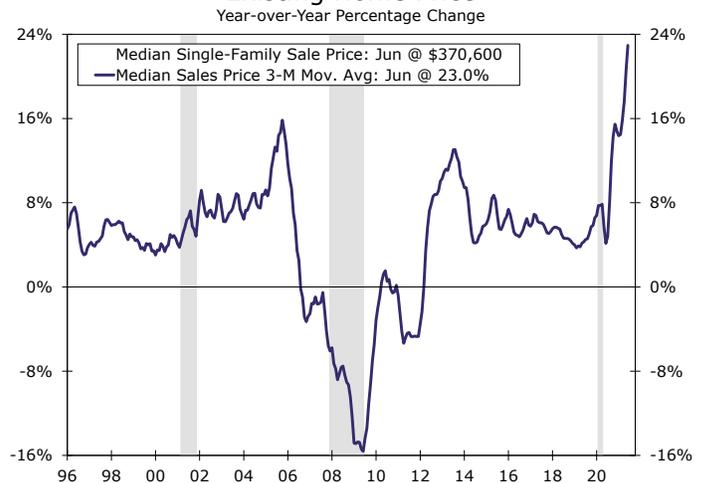
The median price of an existing home was \$363,300 in June, which translates to a 23.4% year-over-year gain. Low inventories continue to boost home prices, but the pace of appreciation may be starting to slow as more inventory comes to the market. Single family prices were up 24.4% over the year, which is just a tick slower than the 24.5% yearly rate registered the month prior. Prices are still rising rapidly, however, the double-digit price gains of the past year are likely unsustainable and some slowing appears to be on the horizon. Even so, a structural shortfall in supply and still-strong demand should keep home prices appreciation solidly in positive territory.

Inventory of Existing Homes for Sale



Source: National Association of Realtors and Wells Fargo Securities

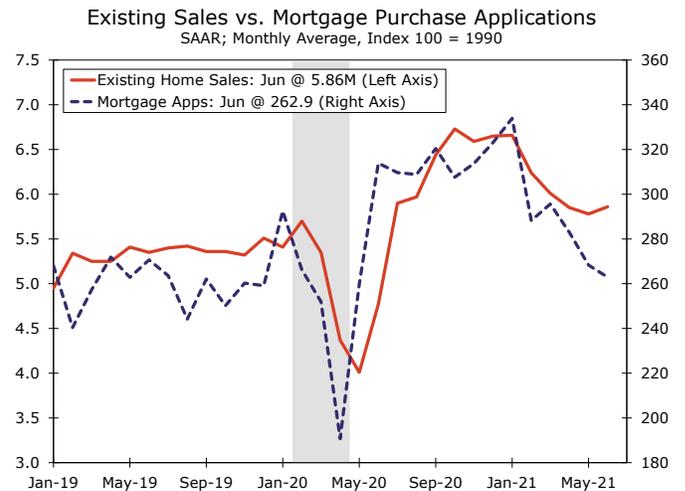
Existing Home Price



Source: National Association of Realtors and Wells Fargo Securities

A recent jump in pending home sales presaged June's improvement in existing sales. After declining 4.4% in April, pending home sales, which lead closings by a month or two, jumped 8.0% in May. Looking ahead, we expect housing market activity to remain strong, although some moderation may be in the cards. Mortgage applications for purchase have recently fallen back towards their pre-pandemic trend over the past few weeks. Overall mortgage applications fell 4.0% during the week ending July 16, with purchase applications sinking 6.4%. The slip in applications suggests that home sales may slow down this summer.

As we recently outlined in our [Housing Chartbook](#), however, home sales appear poised to strengthen in the second half of the year as the housing market moves back into balance. The supply picture should continue to improve as higher prices bring out more sellers. Moreover, mortgage rates are likely to remain low, which should help offset higher prices and reinforce strong demand from an incoming cohort of Millennial entry-level buyers.



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