

Economic Indicator — July 22, 2021

Existing Home Sales Rise in June

Summary

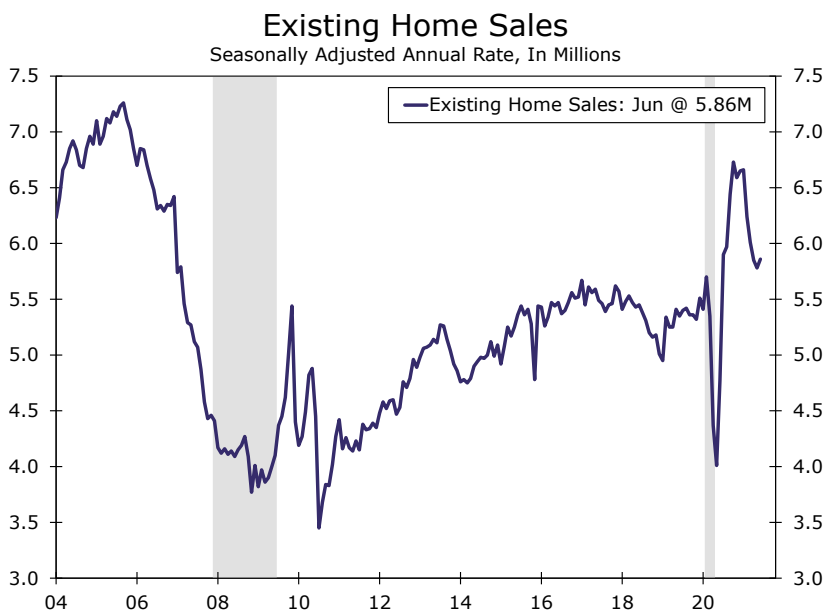
Inventory Growth Makes Room for an Upturn in Sales

- 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.

Economist(s)

Charlie Dougherty

Economist | Wells Fargo Securities, LLC
charles.dougherty@wellsfargo.com | 704-410-6542



All estimates/forecasts are as of 7/22/2021 unless otherwise stated. 7/22/2021 12:05:42 EDT. Please see page 4 for rating definitions, important disclosures and required analyst certifications. Wells Fargo Securities, LLC does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of the report and investors should consider this report as only a single factor in making their investment decision.

This report is available on Bloomberg WFRE

Existing Sales Advance as Inventories Improve

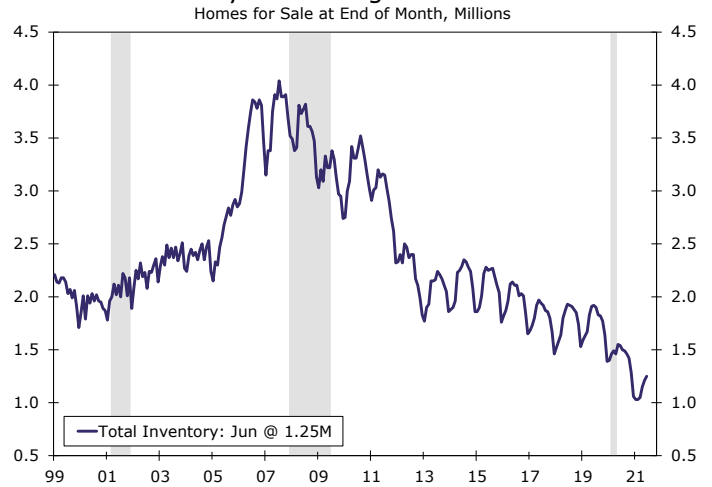
Existing home sales increased 1.4% during June to a 5.86 million-unit pace, ending a four-month streak of declines. The turnaround is a reminder that, while home buying activity has cooled off this year alongside shrinking inventories and skyrocketing prices, underlying demand for homes remains strong. 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.

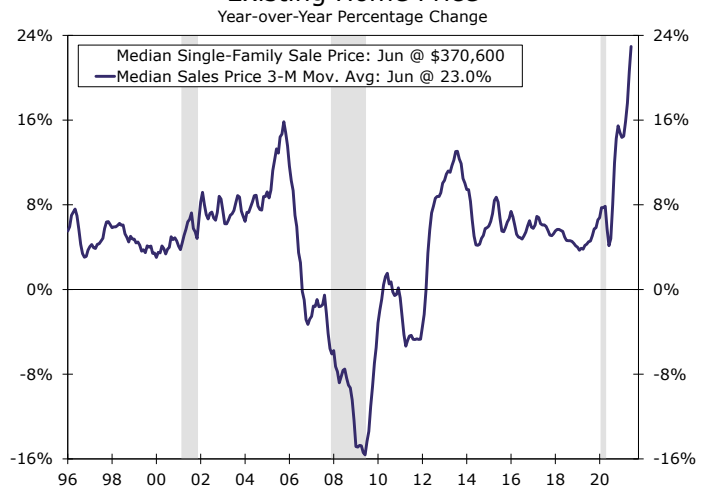
The median price of an existing home was \$363,300 in June, which translates to a 23.4% year-over-year gain. Low inventories continue to boost home prices, but the pace of appreciation may be starting to slow as more inventory comes to the market. Single family prices were up 24.4% over the year, which 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

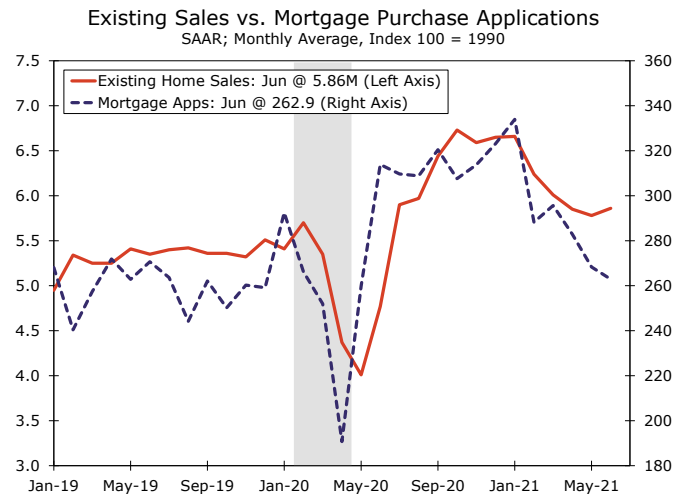
Existing Home Price



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.



Subscription Information

To subscribe please visit: www.wellsfargo.com/economicsemail

The 2021 Annual Economic Outlook: *Aftershocks and Divergence in the Post-Pandemic Economy* is available at wellsfargo.com/economicoutlook

Via The Bloomberg Professional Services at WFRE

And for those with permission at research.wellsfargosecurities.com

Economics Group

Jay H. Bryson, Ph.D.	Chief Economist	(704) 410-3274	jay.bryson@wellsfargo.com
Mark Vitner	Senior Economist	(704) 410-3277	mark.vitner@wellsfargo.com
Sam Bullard	Senior Economist	(704) 410-3280	sam.bullard@wellsfargo.com
Nick Bennenbroek	International Economist	(212) 214-5636	nicholas.bennenbroek@wellsfargo.com
Tim Quinlan	Senior Economist	(704) 410-3283	tim.quinlan@wellsfargo.com
Azhar Iqbal	Econometrician	(212) 214-2029	azhar.iqbal@wellsfargo.com
Sarah House	Senior Economist	(704) 410-3282	sarah.house@wellsfargo.com
Charlie Dougherty	Economist	(704) 410-6542	charles.dougherty@wellsfargo.com
Michael Pugliese	Economist	(212) 214-5058	michael.d.pugliese@wellsfargo.com
Brendan McKenna	International Economist	(212) 214-5637	brendan.mckenna@wellsfargo.com
Shannon Seery	Economist	(704) 410-1681	shannon.seery@wellsfargo.com
Hop Mathews	Economic Analyst	(704) 383-5312	hop.mathews@wellsfargo.com
Nicole Cervi	Economic Analyst	(704) 410-3059	nicole.cervi@wellsfargo.com
Sara Cotsakis	Economic Analyst	(704) 410-1437	sara.cotsakis@wellsfargo.com
Coren Burton	Administrative Assistant	(704) 410-6010	coren.burton@wellsfargo.com

Required Disclosures

This report is produced by the Economics Group of Wells Fargo Securities, LLC, a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the Securities Investor Protection Corp. Wells Fargo Securities, LLC, distributes this report directly and through affiliates including, but not limited to, Wells Fargo & Company, Wells Fargo Bank N.A., Wells Fargo Clearing Services, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Europe S.A., Wells Fargo Securities Canada, Ltd., Wells Fargo Securities Asia Limited and Wells Fargo Securities (Japan) Co. Limited. Wells Fargo Securities, LLC is registered with the Commodity Futures Trading Commission as a futures commission merchant and is a member in good standing of the National Futures Association. Wells Fargo Bank, N.A. is registered with the Commodity Futures Trading Commission as a swap dealer and is a member in good standing of the National Futures Association. Wells Fargo Securities, LLC and Wells Fargo Bank, N.A. are generally engaged in the trading of futures and derivative products, any of which may be discussed within this report.

The information in this report has been obtained or derived from sources believed by Wells Fargo Securities, LLC to be reliable, but Wells Fargo Securities, LLC does not guarantee its accuracy or completeness, nor does Wells Fargo Securities, LLC assume any liability for any loss that may result from the reliance by any person upon any such information or upon any opinions set forth herein. Such information and opinions are subject to change without notice, are for general information only and are not intended as an offer or solicitation with respect to the purchase or sale of any security or other financial product or as personalized investment advice. Wells Fargo Securities, LLC is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company. © 2021 Wells Fargo Securities, LLC

Important Information for Non-U.S. Recipients

For recipients in the United Kingdom, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Conduct Authority. For the purposes of Section 21 of the UK Financial Services and Markets Act 2000 ("the Act"), the content of this report has been approved by WFSIL, an authorized person under the Act. WFSIL does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). The FCA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. For recipients in the EEA, this report is distributed by WFSIL or Wells Fargo Securities Europe S.A. ("WFSE"). WFSE is a French incorporated investment firm authorized and regulated by the Autorité de contrôle prudentiel et de résolution and the Autorité des marchés financiers. WFSE does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). This report is not intended for, and should not be relied upon by, retail clients.

SECURITIES: NOT FDIC-INSURED - MAY LOSE VALUE - NO BANK GUARANTEE