



Economics Group

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Existing Home Sales Plunge During April

Resales fell 17.8% to a 4.33 million-unit pace in April. The COVID-19 crisis is presenting a major challenge for buyers and sellers, however, we expect to see improvements soon now that many areas have begun to reopen.

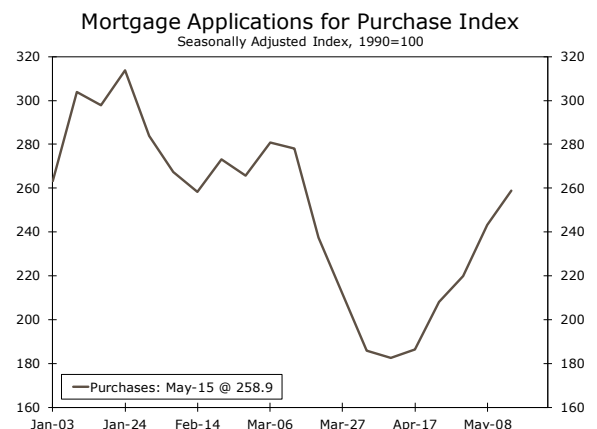
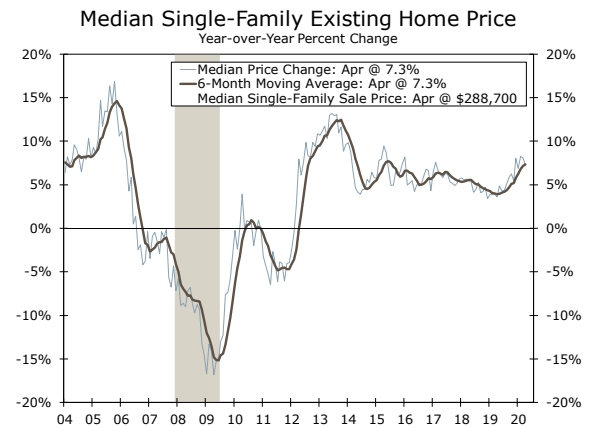
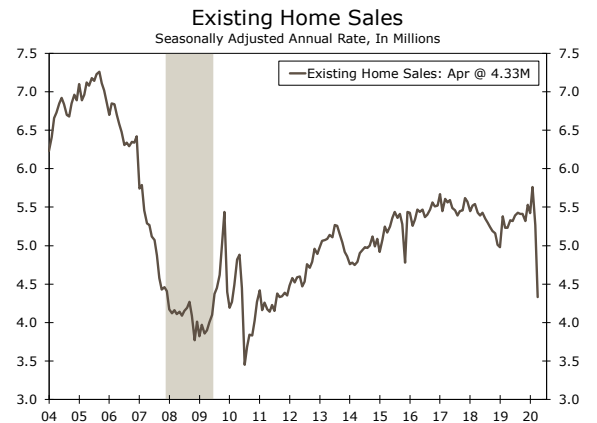
Home Sales Plummet, but the Worst is Likely Behind Us

Existing home sales fell 17.8% during April, the sharpest decline since 2010. A precipitous drop was largely expected, as social distancing and stay-at-home orders were in effect for most of March and April. Sales fell across the board with single-family and condo sales dropping 16.9% and 26.4%, respectively. The plunge in condo sales is not surprising, as many of the largest condo markets, including New York City, Miami and San Francisco, have been hit especially hard by COVID-19. Every region saw a double-digit pullback in sales. The West saw a particularly large drop, with sales contracting 25.0%. The large decline in sales, which reflect closings, was not surprising. Pending home sales fell 20.8% during March. Pending sales represent signed contracts, and it usually takes one-to-two months for transactions to close and officially be registered as a home sale.

Widespread restrictions to contain the spread of the pandemic have been challenging for both buyers and sellers. Virtual tours and digital signings have been useful stop-gap measures. They were clearly not enough to avoid a sharp pullback in buying activity and new listings. Inventory levels fell 1.3% during the month and is down 19.7% over the year. Despite the unprecedented disruption to buying and selling activity over the past two months, the median existing home price for all housing types rose to \$286,800 and is up 7.4% over the year. Every region also saw prices climb on a year-to-year basis. The increase may reflect a little more resilience among buyers for homes priced just above the median.

Even before the pandemic, inventory levels were low, which has helped support prices. Year-to-year gains have also been boosted by weak year ago comparisons. Price gains moderated early last year alongside the broader slowdown in housing activity. Furthermore, we do not expect that these rapid price gains are sustainable, as overall lower levels of activity will likely soon translate to more moderate price inflation.

The coronavirus crisis is also hitting the housing market at what is usually the height of the spring buying season, and unfortunately, a full rebound in activity is unlikely given the widespread uncertainty stemming from the crisis. While most areas of the country have now reopened, it will be a slow and gradual recovery. More optimistically, there are green shoots suggesting the housing market will help lead the recovery. Purchase mortgage applications dipped in late March and early April but have since steadily risen and are now down only 1.5% from their year ago level. The resiliency in mortgage applications indicates home buyers may not have been impacted by the recent tidal wave of job cuts as renters have. Mortgage rates should also remain low for the foreseeable future, which will also support buying activity (the 30 year-fixed was 3.41% in MBA's latest mortgage applications survey).



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