

Economic Indicator — November 22, 2021

Existing Home Sales Edge Higher in October

Summary

Sales of existing homes rose 0.8% in October to a 6.34 million-unit annual pace. Sales of single-family homes rose 1.3%, while sales of condominiums and co-ops declined slightly. Home buying remains intense across most of the country, with the heavy participation of investors and cash buyers making for a very competitive environment. Homes are selling quickly, but price appreciation has moderated somewhat. The inventory of homes available for sale remains exceptionally low.

Economist(s)

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Existing Home Sales Rose in October

Sales of existing homes remained strong in October, with overall sales rising 0.8% to a 6.34 million-unit annual pace. Single-family sales accounted for all of October's increase, with sales climbing 1.3% to a 5.66 million-unit pace. Sales of condominiums and co-ops fell 2.9% during the month to a 680,000-unit annual rate.

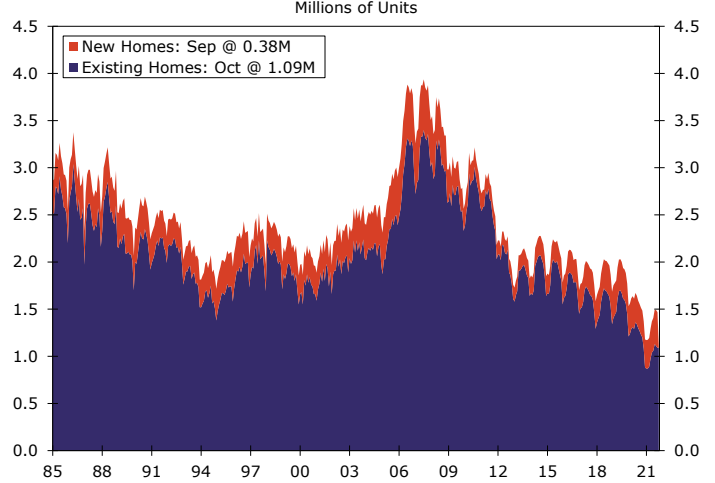
Demand for single-family homes remains exceptionally strong across most of the country. Inventories remain exceptionally low and homes are selling quickly. The National Association of Realtors (NAR) notes total housing inventory fell 0.8% during the month to 1.25 million units. Unsold inventory currently equates to a 2.4-month supply, which is unchanged from September. Persistently low inventories have made this a sellers' market and homes are selling exceptionally quickly. The NAR noted that homes typically stayed on the market for just 18 days in October, which is up one day from September. They also noted that 82% of existing homes sold in October had been on the market for a month or less. The hyper-competitive market has made it particularly tough for first-time home buyers, who accounted for just 29% of October's sales, compared to 32% one year ago.

Investors Account for a Larger Share of Purchases

There has been a great deal of attention on the role investors have played in fueling the recent surge in home prices. Investors and second-home purchasers have been more active in the housing market in recent months. The NAR reports that individual investors and second-home buyers purchased 17% of homes during October. The proportion of all-cash purchases rose to 24% of transactions in October, up from 19% last October. The investor share of home buyers reported by NAR is similar to recent figures released by Redfin on investor buying in major metro areas.

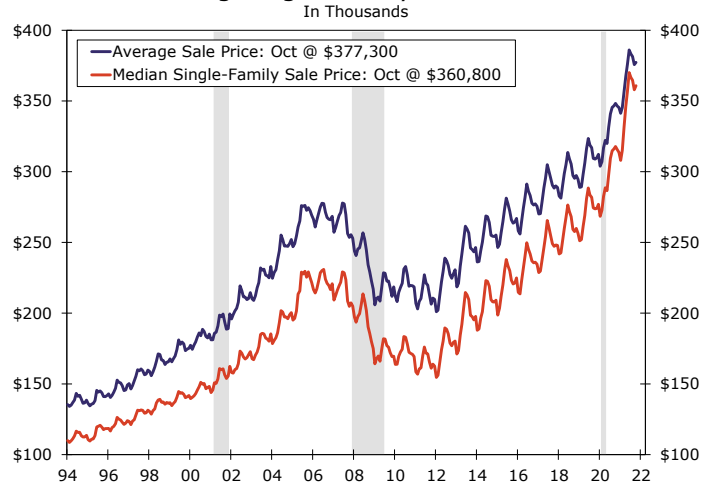
Investors' purchases are comprised of iBuyers, which intend to repair and resell the home; investors seeking to rent out the home, and a mix of second-home buyers, some of which market their second homes as short-term rentals. The shift toward remote work has made the definitions somewhat more fluid. Many workers are choosing to work remotely near vacation destinations, which has boosted the demand for traditional vacation homes and short-term rentals.

Single-Family Home Inventory



Source: U.S. Department of Commerce, NAR and Wells Fargo Securities

Existing Single-Family Home Prices



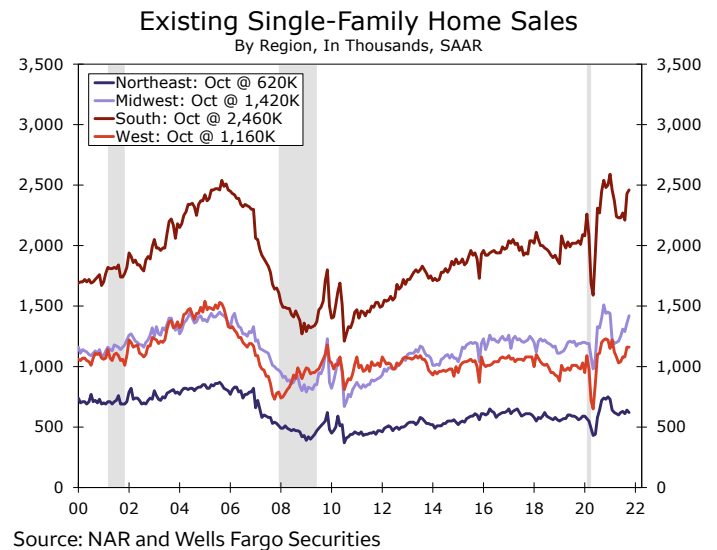
Source: NAR and Wells Fargo Securities

Condo Sales Have Fallen in the South

Sales of condominiums fell 2.9% in October, with all of the drop coming in the South. We suspect the drop is tied to some of the uncertainty surrounding the Surfside condominium collapse in Miami Beach in June. Sales of condominiums in the South have been trending lower and are now 50,000 units below their June sales pace. By contrast, sales of condo/co-ops are up marginally higher in the Northeast over this same period, unchanged in the Midwest and down only marginally in the West.

Single-family home sales rose 1.2% in the South to a 2.46 million-unit pace. Sales of single-family homes also rose 4.4% in the Midwest but were unchanged in the West and fell 3.1% in the Northeast. The strength in the South and Midwest likely reflects the continuing affordability migration away from higher-cost housing markets in the Northeast and along the West Coast.

Nationally, the median price of an existing single-family home rose for the first time in four months, climbing to \$360,800 in October. That puts the median price up 13.5% from October 2020. Most of that increase has come in the South. The influx of buyers to the South and Midwest is pulling home prices higher. The median price of a single-family home sold in the South rose to \$324,200 in October, which is 16.5% higher than it was one year ago. The median price in the Midwest (\$262,500) is up 7.7% over the past year, while the median price in the West (\$513,600) has risen 7.2% and the median price in the Northeast (\$387,200) is up 6.5%.



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