

Economic Indicator — March 21, 2024

Existing Home Sales Surged in February

Resales Rise Alongside Lower Rates and Improved Supply

Summary

Existing Home Sales Hit Strongest Pace in a Year

Existing home sales easily bested expectations and rose 9.5% during February. Although still relatively slow, the 4.38 million-unit pace marks the strongest pace since February 2023. The surprising strength is likely explained by the dip down in mortgage rates which occurred at the start of the year. Affordability is still a major headwind, but even a slight decline in financing costs looks like it was enough to pull buyers off of the sidelines. Inventory remains tight, but a small swell of new supply hitting the market was another factor driving the faster sales pace.

February's upturn is an encouraging sign that the resales recovery is underway. That noted, mortgage rates have ticked higher in recent weeks, which means further progress in the near term will likely be limited by affordability constraints. Looking further ahead, however, existing home sales should gradually trend higher this year alongside less restrictive monetary policy and slightly lower mortgage rates. For more on our housing outlook, please see [Housing Market 2024: An Early Spring or Longer Winter?](#)

Economist(s)

Charlie Dougherty

Senior Economist | Wells Fargo Economics
Charles.Dougherty@wellsfargo.com | 212-214-8984

Patrick Barley

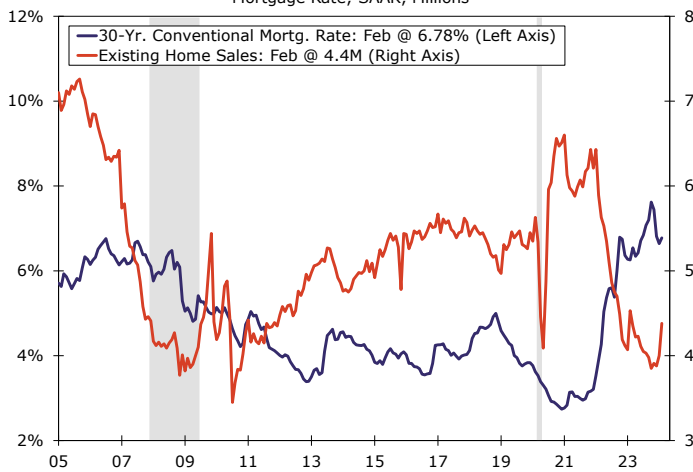
Economic Analyst | Wells Fargo Economics
Patrick.Barley@wellsfargo.com | 704-410-1232

Home Buying Picks Up in February

- Total existing home sales jumped 9.5% during February, a monthly gain that comfortably beat consensus expectations. Single-family sales surged 10.3%, while condo and co-op sales rose 2.5%.
- The total sales pace hit 4.38 million units in February, which marks the strongest pace since February of last year.
- The surprisingly strong pickup in resales is partially explained by lower mortgage rates at the start of 2024. After peaking close to 8% in October 2023, the average 30-year rate fell to as low as 6.6% in the third week of January. This slight decline in financing costs looks like it was enough to pull buyers off of the sidelines, eventually leading to the sharp increase in contract closings during February.
- The reflation in sales was portended by a rise in mortgage applications for purchase at the start of the year. Purchase applications rose nearly 9% over the month in January, a jump that coincided with lower mortgage rates during the month. Prospective homebuyers have been further supported by a sturdy labor market marked by steady job and income growth.
- The supply picture is brightening somewhat, which also likely explains the stronger sales pace. The inventory of existing homes rose 5.9% over the month to 1.07 million, a count 10.3% higher than a year ago. An increase in new supply is helping to feed housing demand, but tight inventories remain a sticking point in the resale market. Total inventory was the equivalent of 2.9 months' supply at the current sales pace, down from 3.0 in January.
- Overall tight supply continues to exert upward pressure on home prices. The median existing home price rose 5.7% on a year-over-year basis during February. Given prices continue to rise, adverse affordability conditions will likely remain a headwind for the foreseeable future.
- February's strong rate of growth in resales is unlikely to be sustained in the near-term. Since mid-January, mortgage rates have ticked higher, with rates rising to an average of 6.8% in February. Consequently, mortgage purchase applications have stepped back a bit over the past several weeks, indicating some recent cooling in terms of buyer demand.
- Looking further out, however, existing home sales look poised for further improvement alongside lower interest rates this year. If the Federal Reserve begins easing monetary policy this summer as we currently anticipate, then mortgage rates should resume their decline and fall closer to 6% by year's end. For more on our housing outlook, please see [Housing Market 2024: An Early Spring or Longer Winter?](#)

Mortgage Rate vs. Existing Home Sales

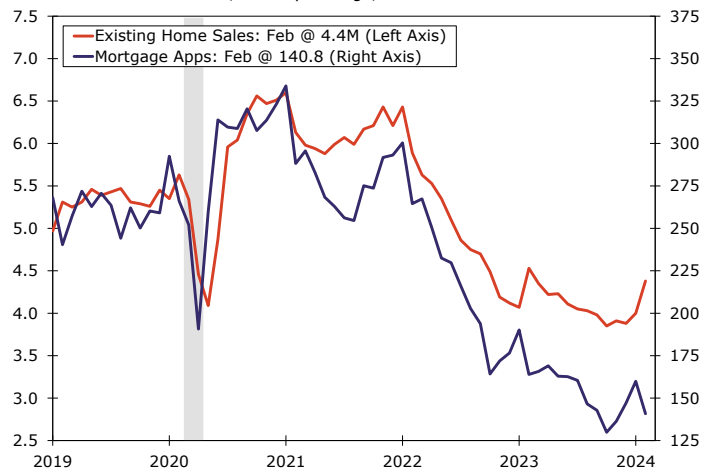
Mortgage Rate; SAAR, Millions



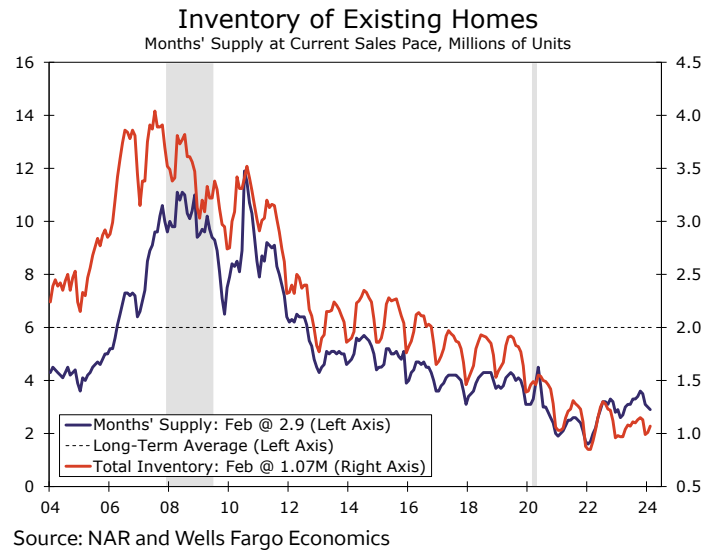
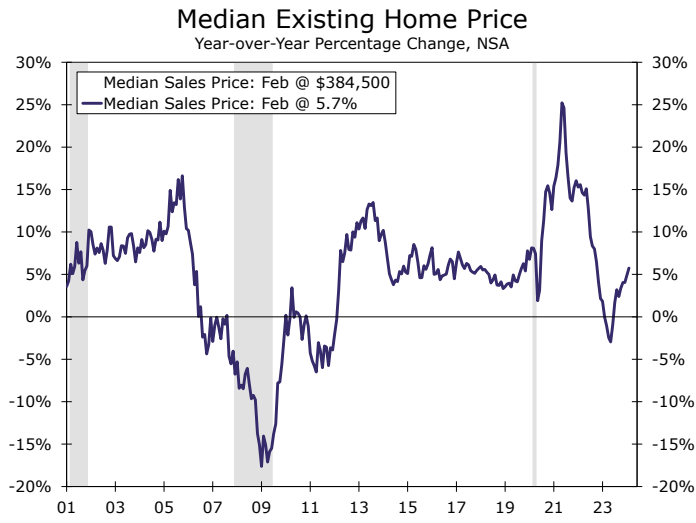
Source: NAR, Freddie Mac and Wells Fargo Economics

Existing Sales vs. Mortgage Purchase Applications

SAAR; Monthly Average, Index 100 = 1990



Source: NAR, Mortgage Bankers Association and Wells Fargo Economics



Subscription Information

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

Via The Bloomberg Professional Services at WFRE

Economics Group

Jay H. Bryson, Ph.D.	Chief Economist	704-410-3274	Jay.Bryson@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
Sarah House	Senior Economist	704-410-3282	Sarah.House@wellsfargo.com
Azhar Iqbal	Econometrician	212-214-2029	Azhar.Iqbal@wellsfargo.com
Charlie Dougherty	Senior Economist	212-214-8984	Charles.Dougherty@wellsfargo.com
Michael Pugliese	Senior Economist	212-214-5058	Michael.D.Pugliese@wellsfargo.com
Brendan McKenna	International Economist	212-214-5637	Brendan.Mckenna@wellsfargo.com
Jackie Benson	Economist	704-410-4468	Jackie.Benson@wellsfargo.com
Shannon Grein	Economist	704-410-0369	Shannon.Grein@wellsfargo.com
Nicole Cervi	Economist	704-410-3059	Nicole.Cervi@wellsfargo.com
Patrick Barley	Economic Analyst	704-410-1232	Patrick.Barley@wellsfargo.com
Jeremiah Kohl	Economic Analyst	212-214-1164	Jeremiah.J.Kohl@wellsfargo.com
Aubrey George	Economic Analyst	704-410-2911	Aubrey.B.George@wellsfargo.com
Delaney Conner	Economic Analyst	704-374-2150	Delaney.Conner@wellsfargo.com
Anna Stein	Economic Analyst	212-214-1063	Anna.H.Stein@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 Bank, N.A. ("WFBNA"). This report is not a product of Wells Fargo Global Research and the information contained in this report is not financial research. This report should not be copied, distributed, published or reproduced, in whole or in part. WFBNA distributes this report directly and through affiliates including, but not limited to, Wells Fargo Securities, LLC, Wells Fargo & Company, Wells Fargo Clearing Services, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Europe S.A., and Wells Fargo Securities Canada, Ltd. 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. WFBNA 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 WFBNA are generally engaged in the trading of futures and derivative products, any of which may be discussed within this report.

This publication has been prepared for informational purposes only and is not intended as a recommendation, offer or solicitation with respect to the purchase or sale of any security or other financial product, nor does it constitute professional advice. The information in this report has been obtained or derived from sources believed by WFBNA to be reliable, but has not been independently verified by WFBNA, may not be current, and WFBNA has no obligation to provide any updates or changes. All price references and market forecasts are as of the date of the report or such earlier date as may be indicated for a particular price or forecast. The views and opinions expressed in this report are those of its named author(s) or, where no author is indicated, the Economics Group; such views and opinions are not necessarily those of WFBNA and may differ from the views and opinions of other departments or divisions of WFBNA and its affiliates. WFBNA is not providing any financial, economic, legal, accounting, or tax advice or recommendations in this report, neither WFBNA nor any of its affiliates makes any representation or warranty, express or implied, as to the accuracy or completeness of the statements or any information contained in this report, and any liability therefore (including in respect of direct, indirect or consequential loss or damage) is expressly disclaimed. WFBNA is a separate legal entity and distinct from affiliated banks, and is a wholly-owned subsidiary of Wells Fargo & Company. © 2024 Wells Fargo Bank, N.A.

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 ("FCA"). 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 Act for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. For recipients in the EFTA, this report is distributed by WFSIL. For recipients in the EU, it is distributed by 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 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