

Economic Indicator — May 18, 2023

Existing Home Sales Move Down in April

Low Inventory and High Mortgage Rates Continue to Constrain Resales

Summary

Home Buying Still Looks to be Stabilizing Despite April's Drop

- Existing home sales retracted 3.4% to a seasonally adjusted pace of 4.28 million in April, the second consecutive monthly drop.
- Higher mortgage rates in February and March likely put a dent in resale demand in April. After falling to 6.1% in late January, the average 30-year mortgage rate climbed back up to 6.7% by the first two weeks of March.
- Despite the dip in April, home buying looks to be stabilizing. Resales in April remained 7.0% above the recent low point in January, when existing home sales registered a 4.0 million-unit pace.
- April's drop in resales was broadly shared across home types. Single-family home sales posted a 3.5% decline and condo and coop sales retreated 2.3% over the month.
- Resale supply improved during the month, but only modestly. Single-family resale inventories rose 5.8% in April, the largest over-the-month bump since mid 2022. That said, the 2.8 months' supply in April remained near a historically low level, which is a factor dragging down resales.
- Existing home sales continue to drag on a year-over-year basis. Single-family sales in April pulled back 22.4% over the year, while condo sales similarly posted a 29.5% annual drop.
- Existing sales weakened across nearly every region in April. The West registered the largest monthly slump, where sales retreated 6.8%. The South and Midwest also experienced declines of 3.8% and 2.0%, respectively. Meanwhile, resales were flat in the Northeast.
- Homes that do get listed are spending comparatively less time on the market. In April, homes sold in an average of 22 days after listing compared to 29 days in March.
- Nationally, the not-seasonally-adjusted median single-family home price posted its third consecutive improvement in April. The 3.6% monthly increase in prices likely reflects still-low supply amidst stabilizing demand. That said, the median home price is still running 2.1% below its level in April 2022.
- The monthly upturn in prices was geographically shared. The two largest regions—the South and West—posted 3.0% and 2.9% price increases, respectively. Prices picked up relatively faster in the Northeast (7.2%) and Midwest (5.6%)
- Single-family price movements were mixed on a year-over-year basis. Price weakness remains the most evident in the West, where the median single-family home price declined 8.0% on an annual basis. The South also recorded a modest 1.0% year-over-year drop. The Northeast and Midwest, alternatively, posted modest 2.3% and 1.8% price improvements over the year, respectively.

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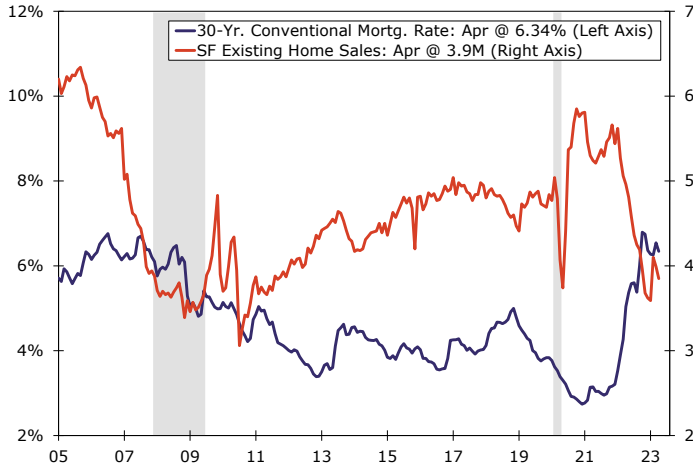
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Mortgage Rate vs. Existing Single-Family Home Sales

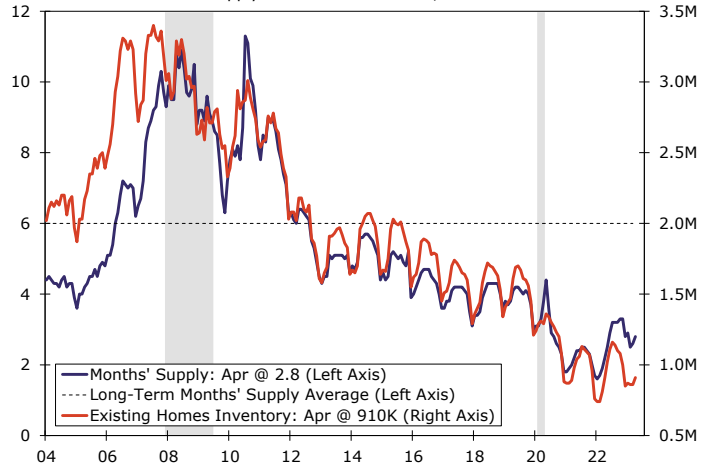
Mortgage Rate; SAAR, Millions



Source: NAR, Freddie Mac and Wells Fargo Economics

Inventory of Existing Single-Family Homes

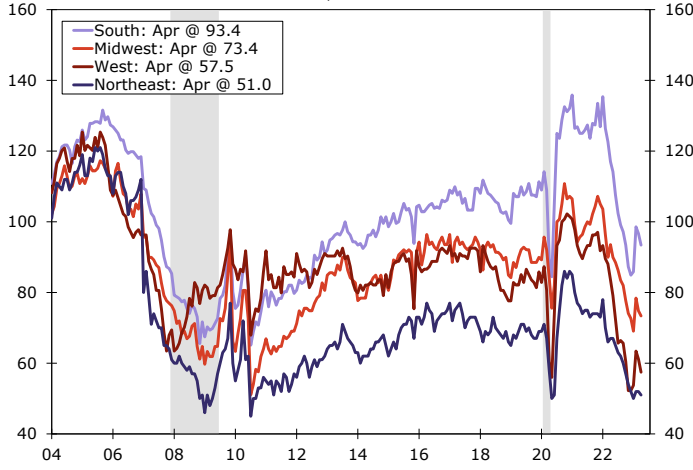
Months' Supply at Current Sales Pace, Millions of Units



Source: NAR and Wells Fargo Economics

Existing Home Sales by Region

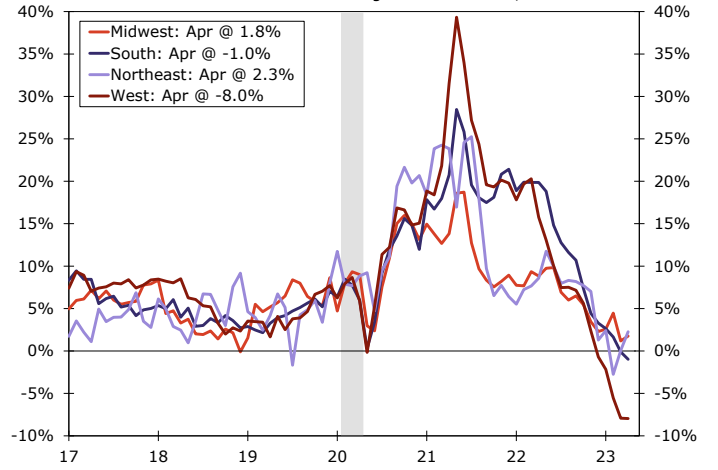
Index, 2002=100



Source: NAR and Wells Fargo Economics

Regional Single-Family Home Price Growth

Year-over-Year Percent Change of Median Price, NSA



Source: NAR and Wells Fargo Economics

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