

March 2019 New and Existing Home Sales

Home Sales Zig and Zag in March

- New Home Sales increased by 4.5 percent in March, to a 692,000 unit annual rate.
- Existing Home Sales fell by 4.9 percent in March, to a 5,210,000 unit annual rate.

Existing home sales fell in March, but new home sales increased. Home sales this year are being steered by several different forces. First, we can say that household financial conditions are good and the job market remains strong. Those are major positives for home sales. However, this has already been a very long cycle, so there is little pent-up demand for housing that has not already been spent out. Demographics are also playing a role. Younger households are less inclined to purchase houses than they were in previous generations, and younger households may be saddled with a lot of student debt. Older households are retiring in large numbers and this is impacting supply and demand for certain market segments. Housing affordability was very high immediately following the Great Recession but has since declined to near its long-term average. Price appreciation has slowed, which is a positive for affordability, but also a negative in terms of the ability of new home owners to generate home equity. Mortgage rates appear to have peaked last fall and then fell through late March. However, the last two weekly data points through mid-April show slight increases in mortgage rates. Largely coincident with the drop in mortgage rates was the federal government shutdown running from late December through January. The government shutdown hurt home sales in January by delaying mortgage processing by the Federal Housing Administration, the Department of Veterans Affairs and the Department of Agriculture. It also hurt home sales by creating financial uncertainty for government workers and contractors and by reducing consumer confidence in non-government workers. The net result of all these forces was a surge in both new and existing home sales in February.

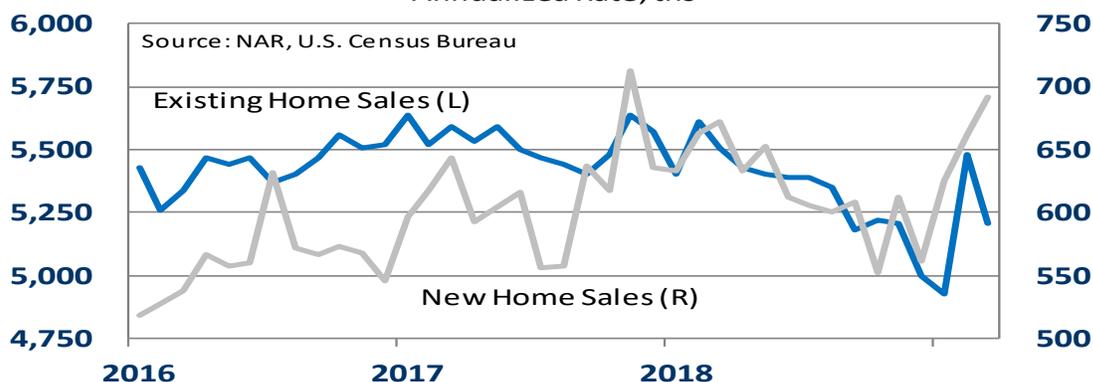
After surging in February, existing home sales fell by 4.9 percent in March, to a 5,210,000 unit annual rate. This is still above the sales rates for December and January. Sales of existing homes declined moderately across all four census regions in March. The inventory of unsold existing homes increased to a still tight 3.9 months' worth in March. The median price of an existing home was up by 3.8 percent in March over the previous 12 months according to the National Association of Realtors.

New home sales increased by 4.5 percent in March, to a 692,000 unit annual rate. This is the strongest monthly sales rate since November 2017. Sales of new homes increased across all four census regions in March. The months' supply of new homes for sales fell to 6.0 in March, down from 7.4 months' worth in December. We expect the recent surge in home sales to provide near term motivation for builders.

Market Reaction: U.S. equity markets opened with gains. The 10-year Treasury bond yield is down to 2.57 percent. NYMEX crude oil is up to \$66.23/barrel. Natural gas futures are down to \$2.51/mmbtu.

New Home Sales Rebound in 2019

Annualized Rate, ths



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