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Existing Home Sales Decline, Inventory Still a Big Issue

Sales of existing homes fell again in January, the second consecutive month-over-month decline. Sales of pre-owned single-family homes, townhomes, condos, and cooperative apartments were down 3.2 percent compared to December, and the seasonally adjusted annual sales in December, already estimated at a 3.6 percent decline, were **revised down even further**. The National Association of Realtors® (NAR) said existing homes sold during the month at a seasonally adjusted rate of 5.38 million, representing a year-over-year decline of 4.8 percent. It was the slowest sales pace since last September and the largest annual loss since a 5.5 percent decline in August 2014. December sales were revised down from 5.570 million to 5.56 million. The months sales results were broad-based. All four U.S. regions saw both monthly and annual declines.

The **negative report was also unexpected**. Analysts polled by Econoday forecast a slight improvement over December with a consensus of 5.640 million units. Estimates ranged from 5.480 million to 5.700 million. Econoday however also remarked that the number of homes for sale, a 19-year low, could limit January's results. Single-family home sales slipped 3.8 percent to a seasonally adjusted annual rate of 4.76 million in January from 4.95 million in December. Those sales were 4.8 percent below the 5.00 million pace a year earlier. Existing condominium and co-op sales improved by 1.6 percent for the month, but the rate of sales, 620,000 units, was behind that of a year earlier by 4.6 percent.

Lawrence Yun, NAR chief economist, says January's retreat in closings highlights the housing market's glaring inventory shortage at the start of 2018. "The utter lack of sufficient housing supply and its influence on higher home prices muted overall sales activity in much of the U.S. last month," he said. "While the good news is that Realtors in most areas are saying buyer traffic is even stronger than the beginning of last year, sales failed to follow course and far lagged last January's pace. It's very clear that too many markets right now are becoming less affordable and desperately **need more new listings** to calm the speedy price growth."

The **median existing-home price** for all housing types in January was \$240,500, up 5.8 percent from the January 2017 median of \$227,300. It was the 71st consecutive annual gain. The median existing single-family home price rose 5.7 percent to \$241,700 and condo prices were up 7.1 percent to a median of \$231,600.

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30YR Fixed	7.29%	-0.06	0.00
15YR Fixed	6.95%	-0.05	0.00
30YR FHA	6.91%	-0.08	0.00
30YR Jumbo	7.55%	-0.05	0.00
7/6 SOFR	6.88%	+0.02	0.00
30YR VA	6.92%	-0.08	0.00

Rates as of: 10/29

Recent Housing Data

		Value	Change
Mortgage Apps	Oct 14	188.6	-5.32%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Aug	684K	+12.69%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

Total **inventories did grow** during the month, increasing by 4.1 percent to 1.52 million existing homes available for sale. That number is still 9.5 percent lower than a year ago, marking the 32nd straight month the inventory has shrunk on an annual basis. Unsold inventory is estimated at a 3.4-month supply at the current rate of sales. "Another month of solid price gains underlines this ongoing trend of strong demand and weak supply. The underproduction of single-family homes over the last decade has played a predominant role in the current inventory crisis that is weighing on affordability," said Yun. "However, there's hope that the tide is finally turning. There was a nice jump in new home construction in January and homebuilder confidence is high. These two factors will hopefully lay the foundation for the building industry to meaningfully ramp up production as this year progresses."

The participation of **first-time buyers continues to lag**. Twenty-nine percent of sales in January were to that cohort, down from 32 percent in December 2017 and 33 percent a year ago. Investors purchased 17 percent of the homes sold, up from 16 percent in both December and January 2017. Twenty-two percent of sales were for all cash. "The gradual uptick in wages over the last few months is a promising development for the housing market, but there's risk these income gains could be offset by the recent jump in mortgage rates," said Yun. "That is why the pace of added new and existing supply in the months ahead is worth monitoring. If inventory conditions can improve enough to cool the swift price growth in several markets, most prospective buyers should be able to absorb the higher borrowing costs." Properties typically stayed on the market for 42 days in January, compared to 40 days in December 2017 and 50 days in January 2017. Forty-three percent of homes sold in January were on the market for less than a month.

NAR President Elizabeth Mendenhall, says Realtors® in several markets are reporting that the spring buying season appears to be starting early this year. "Those planning to buy a home this spring should look into getting pre-approved for a mortgage now and start having those serious conversations with their real estate agent on what they're looking for in a home and where they want to buy," she said. "With demand exceeding supply in most areas, competition will only heat up in the months ahead. Beginning the home search now could lead to a successful and less stressful buying experience."

Distressed sales - **foreclosures and short sales** - were 5 percent of sales in January, unchanged from December 2017 and down from 7 percent a year ago. Four percent of January sales were foreclosures and 1 percent were short sales.

January existing-home sales in the **Northeast** declined 1.4 percent to an annual rate of 730,000 units and are now 7.6 percent below a year ago. The median home price in the region increased 6.8 percent on an annual basis to \$269,100.

Existing home sales slipped 6.0 percent month-over-month and by 3.8 percent on an annual basis in the **Midwest**, finishing January at an annual rate of 1.25 million units. The median price in the Midwest rose 8.7 percent to \$188,000.

In the **South** sales were down 1.3 percent in January to a rate of 2.26 million. This is 1.7 percent lower than sales the prior January. Prices increased 4.3 percent to a median of \$208,200.

There was a 5.0 percent month-over-month increase in sales in the **West** and the annual rate of 1.14 million units is 9.5 percent below sales a year earlier. Prices rose 8.8 percent to a median of \$362,600.

About Casey Sullivan

Casey is a dedicated and dependable mortgage loan officer. His clients count on him to be their skilled, experienced, and focused consultant, listening to their needs.

He skillfully assists his clients with both refinancing and home purchases in California and more specifically the San Francisco Bay Area.

His vision is to build lifetime relationships with each client as their mortgage consultant...for life! He stays connected with each client well after closing which includes loan reviews and dependable market updates.

Casey believes that everyone deserves to completely understand their mortgage financing options and that one size does not fit all when it comes to mortgages. Nor does it apply when it comes to mortgage lenders. All lenders are not made the same and they are not all equal.

For a free consultation, contact Casey Sullivan today at 925-395-4212 or Casey@TheSullivanGrp.com

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