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Low Inventories, Rising Prices Hit February Home Sales

"Fizzle" was the description the National Association of Realtors® (NAR's) used for existing home sales in February. Those sales, which had increased to a six-month high annual pace in January fell "amidst **unshakably low supply** levels and steadfast price growth." All four regions had lower sales.

Existing home sales, including closed transactions on single-family homes, townhomes, condominiums, and cooperative apartments **fell 7.1 percent** to a seasonally adjusted annual rate of 5.08 million but did remain 2.2 percent above sales in February 2015. January's rate of sales was estimated at 5.47 million.

Single-family home sales were down 7.2 percent and condo and coop sales fell 6.6 percent from January numbers. The annual pace for single family sales was **4.51 million** compared to 4.86 million a month earlier and condo/coops sold at a rate of 570,000 units compared to fell 610,000. Sales of both remained higher than a year earlier, single family homes by 2.0 percent and condo/coops by 3.6 percent.

Lawrence Yun, NAR chief economist, says existing sales disappointed in February and failed to keep pace with what had been a strong start to the year. "Sales took a considerable step back in most of the country last month, and **especially in the Northeast and Midwest**," he said. "The lull in contract signings in January from the large East Coast blizzard, along with the slump in the stock market, may have played a role in February's lack of closings. However, the main issue continues to be a supply and affordability problem. Finding the right property at an affordable price is burdening many potential buyers."

Yun said that while the job creation picture remains strong there seems to be **some uneasiness among households** that the economy is losing some steam. NAR's latest quarterly Home Survey earlier this month showed that fewer respondents feel the economy is improving and fewer renters said they thought it was a good time to buy a home.

"The overall demand for buying is **still solid** entering the busy spring season, but home prices and rents outpacing wages and anxiety about the health of the economy are holding back a segment of would-be buyers," says Yun.

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.33%	-0.12	0.00
15YR Fixed	6.89%	-0.10	0.00
30YR FHA	6.95%	-0.10	0.00
30YR Jumbo	7.44%	-0.06	0.00
7/6 SOFR	6.81%	-0.19	0.00
30YR VA	6.97%	-0.10	0.00

Rates as of: 11/20

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.51	+0.41
10 YR Treasury	4.9403	-0.1033
30 YR Treasury	5.3324	-0.0738

Pricing as of: 11/20 5:59PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Nov 11	199.8	-2.35%
Building Permits	Oct	1.3M	-7.5%
Housing Starts	Oct	1.31M	+7.21%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Oct	63	-4.69%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Nov	25	-13.79%

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The median existing-home price for all housing types in February was $210,800, **up 4.4 percent** compared to the median in February 2015 of $201,900. February's price increase marks the **48th consecutive month** of year-over-year gains. The median price for an existing single-family home was $213,300, a 4.3 percent annual increase and the media condo price rose 5.1 percent to $198,900.

Total housing inventory at the end of February increased 3.3 percent to 1.88 million existing homes available for sale, but is still 1.1 percent lower than a year ago (1.90 million). Unsold inventory is at a **4.4-month supply** at the current sales pace, up from 4.0 months in January.

Thirty percent of home buyers in February were **buying for the first time**, down 2 percentage points from January but 1 point higher than a year earlier. The February share of first-time buyers was unchanged from the average for all of 2015. Individual investors purchased 18 percent of homes sold in February, tying the highest share since April 2014. Sixty-four percent of investors paid all cash and cash sales overall made up a quarter of purchases.

Seven percent of sales in February were **foreclosed** properties and 3 percent were short sales. This was a slight increase from a total share of distressed sales of 9 percent in January. Foreclosures sold for an average discount of 17 percent below market value in February (13 percent in January), while short sales were discounted 16 percent (12 percent in January).

"Investor sales have trended surprisingly higher in recent months after falling to as low as 12 percent of sales in August 2015," Yun said. "Now that there are fewer distressed homes available, it appears there's been a shift towards investors purchasing lower-priced homes and turning them into rentals. Already facing affordability issues, this competition at the entry-level market **only adds to the roadblocks** slowing first-time buyers."

Properties had a typical marketing time of **59 days** in February, down from 64 days in January and 62 days a year earlier. Short sales were on the market the longest at a median of 126 days in February, while foreclosures and non-distressed homes each took 57 days. Thirty-five percent of homes sold in February were on the market for less than a month.

NAR President Tom Salomone says the low inventories coming into the spring marketing season are leading to the multiple bids and short marketing times that many Realtors® are reporting as common in their markets. "It's easy for buyers to get discouraged when their offer is rejected in favor of a higher bid," he said.

February existing-home sales in the **Northeast** dropped 17.1 percent to an annual rate of 630,000, but are still 5.0 percent above a year ago. The median price in the Northeast was $239,700, an 0.8 percent annual decline.

In the **Midwest**, existing-home sales sank 13.8 percent to an annual rate of 1.12 million in February, the same as in February 2015. The median price in the Midwest was $162,700, up 6.3 percent from a year ago.

Both the **South** and the **West** had much smaller declines. Sales in the South were down by 1.8 percent to 2.20 million, 3.3 percent above a year earlier and the West saw a 3.4 percent decrease 1.13 million, up 0.9 percent on an annual basis. The median price in the South was $186,400, a 5.0 percent gain. In the West the median price was 7.0 percent to $308,800.

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