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Existing Home Sales and Prices Surge Despite Rate Increases

Existing home sales kicked off 2017 with a spurt that brought sales of single family homes, townhomes, condos, and cooperative apartments to the **fastest pace in nearly a decade**. The National Association of Realtors® (NAR) said January sales were up 3.23 percent from December to a seasonally adjusted annual rate of 5.69 million units. At the same time, December's sales were revised higher than the first estimate, from 5.49 million to 5.51 million units.

The January number was **up 3.8 percent** from the 5.48 million pace in January 2016 and exceeded the previous post crisis high set in November to become the strongest month for sales since the peak of 5.79 million units in February 2007.

Analysts polled by MarketWatch had been looking for an increase in January but not one as significant. Their consensus was 5.57 million units.

Single-family home sales grew 2.6 percent to a seasonally adjusted annual rate of 5.04 million in January from 4.91 million in December 2016, and are now 3.7 percent above the 4.86 million pace a year earlier. Existing condominium and co-op sales leapt 8.3 percent to a seasonally adjusted annual rate of 650,000 units, an annual acceleration of 4.8 percent.

Lawrence Yun, NAR chief economist, says the market appears to be **resilient** despite the rising interest rate environment. "Much of the country saw robust sales activity last month as strong hiring and improved consumer confidence at the end of last year appear to have sparked considerable interest in buying a home," he said. "Market challenges remain, but the housing market is off to a prosperous start as homebuyers staved off inventory levels that are far from adequate and deteriorating affordability conditions."

The median existing-home price for all housing types in January was $228,900, **up 7.1 percent** from last January's median of $213,700. This was the fastest gain since January 2016 when prices rose 8.1 percent year-over-year, and marks the 59th consecutive month of annual gains.

The median existing single-family home price was $230,400 in January, up 7.3 percent from a year earlier. The median existing condo price was $217,400, a 6.2 percent increase.

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 **inventory** situation improved modestly, rising 2.4 percent over the month to 1.69 million available homes for sale. This is still 7.1 percent lower than in January 2016 where there were 1.82 million listings. The inventory has now shrunk year-over year for 20 straight months. The 1.69 million homes are estimated to represent a 3.6-month supply at the current rate of sales, identical to that in December.

Properties typically stayed on the market for **50 days** in January, down from 52 days in December and 64 days a year earlier. Short sales were on the market the longest at a median of 108 days, foreclosures sold in 51 days and non-distressed homes took 49 days. Thirty-eight percent of homes sold in January were on the market for less than a month.

"Competition is likely to **heat up even more** heading into the spring for house hunters looking for homes in the lower- and mid-market price range," added Yun. "NAR and realtor.com®'s new ongoing research, the Realtors Affordability Distribution Curve and Score, revealed that the combination of higher rates and prices led to households in over half of all states last month being able to afford less of all active inventory on the market based on their income."

NAR President William E. Brown, cautions about another source that could possibly drag down inventory for would-be buyers in coming months. "Supply and demand imbalances continue to be burdensome in many markets, and now Fannie Mae is supporting a Wall Street firm's investment in single-family rentals," he said. "This will **only further hamper tight supply** and put major investors in direct competition with traditional buyers." He says the GSEs should focus on lowering "overly burdensome fees" and help qualified borrowers become homeowners.

The share of **first time buyers** ticked up 1 percentage point from both December and the previous January to 33 percent of buyers. The average across all of 2016 was 35 percent. Individual investors accounted for 15 percent of transactions, unchanged from December and down 2 percentage points annually. Fifty-nine percent of investors paid cash and 23 percent of all home sales were all-cash.

Five percent of home sales in January were foreclosures and 2 percent were short sales, about the same as a month earlier. Distressed sales overall had a 9 percent share a year earlier. Foreclosures sold for an average discount of 14 percent below market value in January (20 percent in December), while short sales were discounted 10 percent (unchanged from December).

Existing home sales made a **strong showing** in three of the four regions, falling only in the Midwest. Sales in the Northeast jumped 5.3 percent to an annual rate of 800,000 units, and are now 6.7 percent above a year ago. The median price in the Northeast was $253,800, a 2.5 percent annual increase.

Sales were down by 1.5 percent month-over-month in the **Midwest**, and 0.8 percent year-over-year to an annual rate of 1.29 million. The median price rose 6.5 percent to $174,900.

Existing-home sales in the **South** in January gained 3.6 percent to an annual rate of 2.31 million units, and are now 3.1 percent higher for the year. The median price in the South was $201,400, a 9.2 percent increase.

Sales in the **West** increased by 6.6 percent and 8.4 percent over the two earlier periods to an annual rate of 1.29 million units in January. The median price in the was $332,300, a 6.8 percent change.

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Jeff Statz 

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