

Datanote: US Existing Home Sales, February

In one line: Sales unlikely to remain as strong as February.

- Existing home sales jumped by 9.5% in February, to 4.38M, far above the consensus, 3.95M.

The extent of the surge in existing home sales is hard to explain. Pending home sales, which typically lead existing sales by around one month,

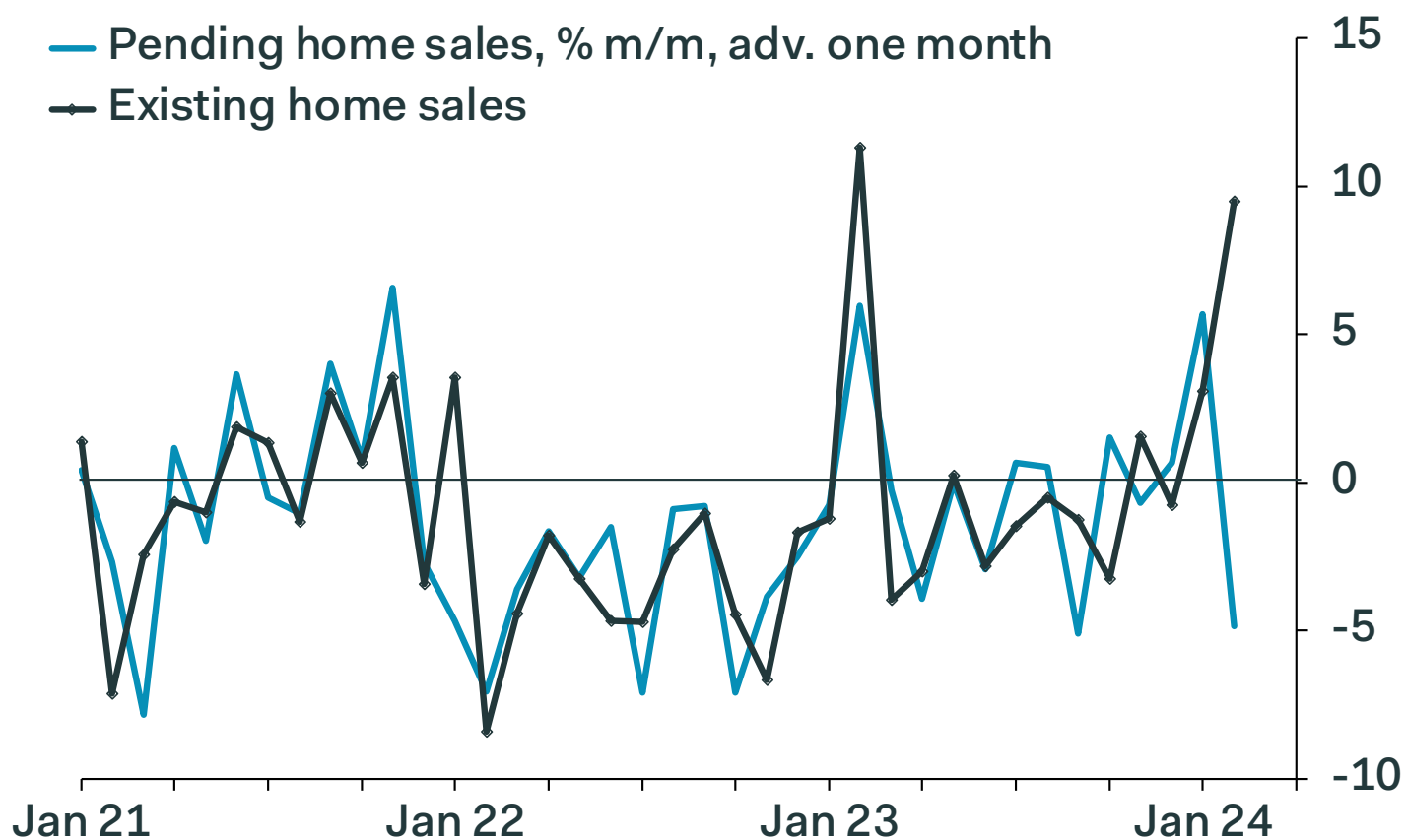
plunged in January; that's why the consensus was looking for a small fall. Admittedly, mortgage applications for home purchase rose slightly around the turn of the year, which ought to have supported sales in February, but sales have shot well above where this very partial recovery in mortgage demand would suggest. The surge may partly reflect some residual seasonality in the series, given the inexplicably strong 11.3% jump in sales in February last year too. The home sales numbers are also very sensitive

to weather effects in the winter months, and February was much warmer than usual, with relatively low snow cover. Some scheduled closings - the point at which sales are measured - might have been pushed into February by the blizzards in the third week of January.

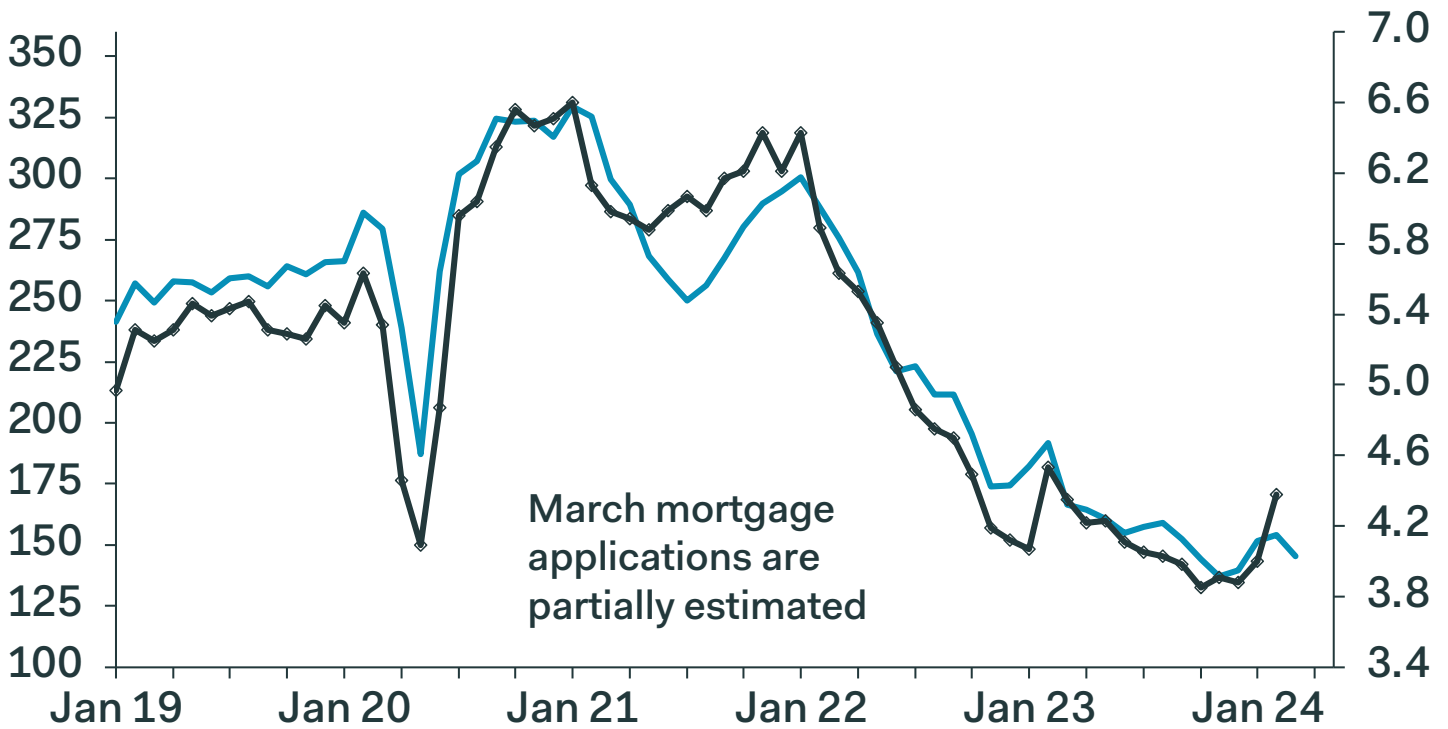
Whatever the reason behind the reported jump in sales, it looks set to unwind, at least in part, over the coming months. A sustained recovery in existing home sales would require a much stronger recovery in mortgage

demand, which seems to have stalled recently as long-term rates have risen again. Further gains in existing home sales will also be limited by a lack of supply. The gulf between market mortgage rates and the sub-4% rates most homeowners secured in 2020-to-21 have made it prohibitively expensive for most people to move. The total number of existing homes for sale recovered in February, but it did not keep up with the recovery in demand, with supply slipping to 3.1 months of sales in seasonally adjusted

terms, from 3.3 months in January. This dearth of supply is supporting prices. Our seasonally adjusted version of the median existing single-family home price series ticked up further in February to a new all-time high.



- MBA purchase apps. index, re-adj. by PM, adv. one month (Left)
- Existing home sales, millions (Right)



- Existing single-family homes for sale, millions, SA by PM (Left)
- Existing single-family homes for sale, months' of supply (Right)

