

Datanote: US Existing Home Sales, July

In one line: Expect a small rise in H2 sales, but the weakening labor market will constrain activity

- July existing home sales rose to 3.95M from 3.90M, very close to the consensus, 3.94M.

The rebound in June pending home sales pointed to an uptick in July existing home sales, but you have to

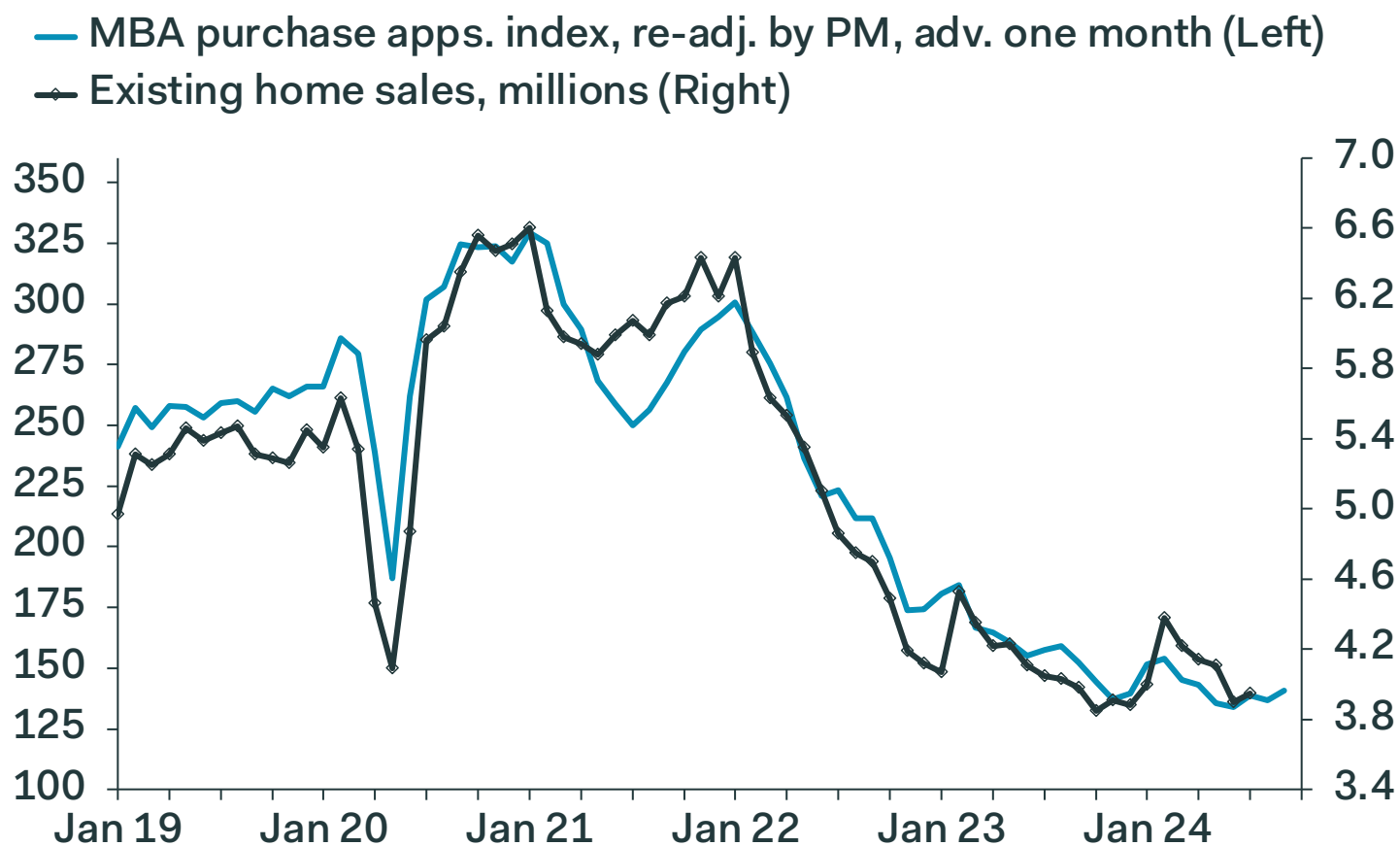
squint to see it against the huge drop in sales over the past two-and-a-half years. Activity remains very depressed, because the current level of mortgage rates, 6.5%, is far higher than the sub-4% average rates on existing mortgages, making it prohibitively expensive for many people to move home.

The 75bp drop in mortgage rates since their late April peak will lift demand, other things equal, but the softening of the labor market is

slowing the rate of growth of potential homebuyers, so we expect only a modest net increase in sales over the remainder of this year, from a hugely depressed base.

Inventory remains very low but is trending upwards, despite the small dip in July. As a result, existing home prices are now falling, slowly, but remain elevated relative to incomes. Prices rose even as sales plunged because supply fell even faster than demand. We expect the opposite story

as demand recovers, pushing prices gradually back down. But this likely will be a slow return to trend, rather a rollover.



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



- Median price of existing single-family home, \$K (Left)
- Median price of new single-family home, \$K (Right)

