



Economics Group

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Existing Home Sales Fell in May

Existing home sales posted a surprising 2.2 percent drop in May, as many potential buyers ran into problems closing their purchase contracts. Delays included tougher appraisals and higher financial hurdles.

Home Sales Fell Short of Expectations

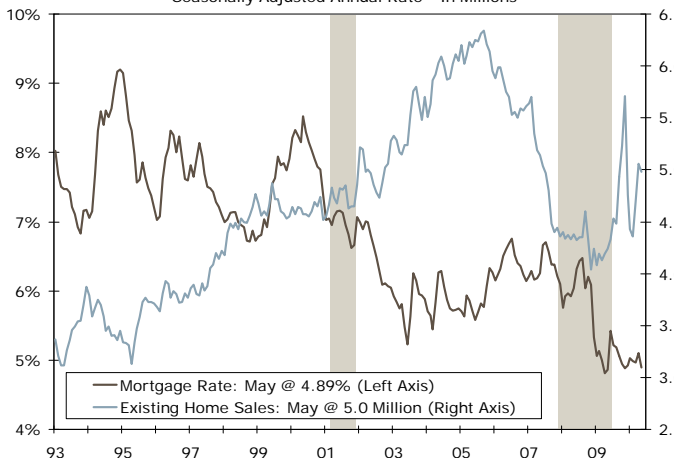
- Existing home sales fell 2.2 percent in May to a 5.66 million unit pace. Consensus estimates, backed up by a rise in earlier reported pending sales and mortgage applications, had called for a number well in excess of a 6.0 million unit pace.
- Sales continued to be driven by first-time home buyers, which accounted for 46 percent of all sales, and distressed sales, which accounted for 31 percent of total sales.

Tougher Appraisals May Be Sidetracking Condo Sales

- Sales of single-family homes fell 1.6 percent in May, while sales of condominiums fell 6.8 percent. Appraisals and mortgage approvals are likely more difficult in the condo market.
- Inventory of existing homes fell slightly in May, but remains elevated at nearly 3.9 million units.
- After a payback from tax incentives, underlying demand for existing homes should get a boost from low mortgage rates.

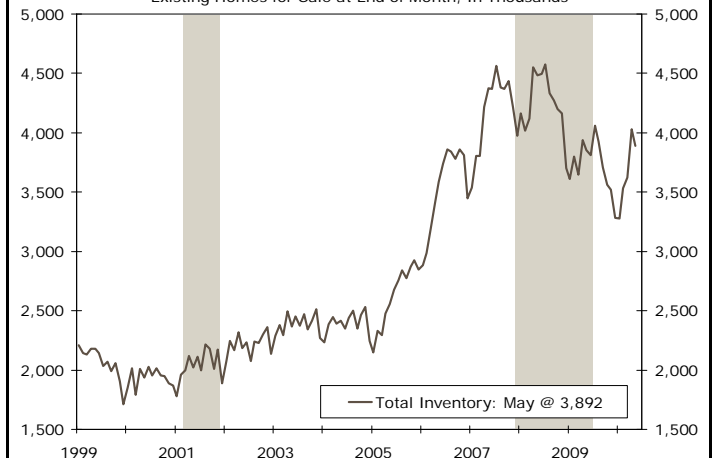
Existing Home Sales vs. Mortgage Rates

Seasonally Adjusted Annual Rate - In Millions



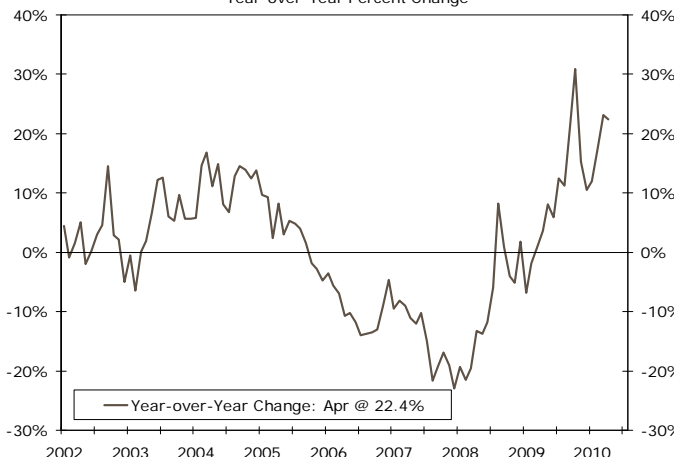
Inventory of Existing Homes for Sale

Existing Homes for Sale at End of Month, In Thousands



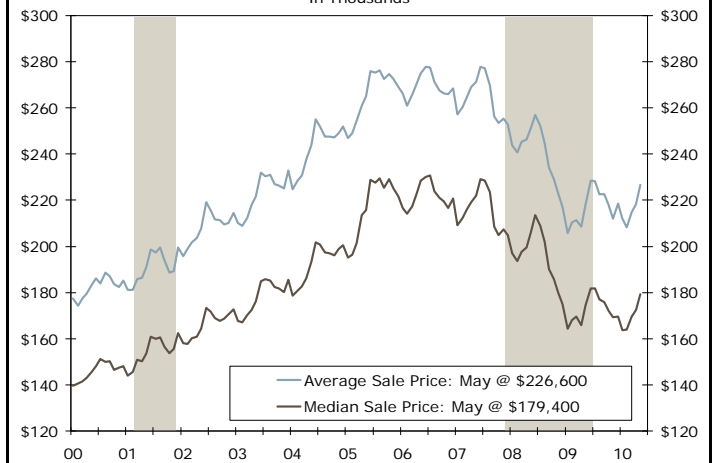
Pending Home Sales Index

Year-over-Year Percent Change



Existing Single-Family Home Prices

In Thousands



Source: Federal Home Loan Mortgage Corporation, National Association of Realtors and Wells Fargo Securities, LLC

Wells Fargo Securities, LLC Economics Group

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