



# Economics Group

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## Existing Home Sales Emerge From Winter Hibernation

**Existing home sales rose 6.1 percent in March to a 5.19 million unit rate, the highest level since 2013. The key to this home buying season will be inventories, which posted its second straight monthly gain in March.**

### Existing Home Sales Back on Solid Footing

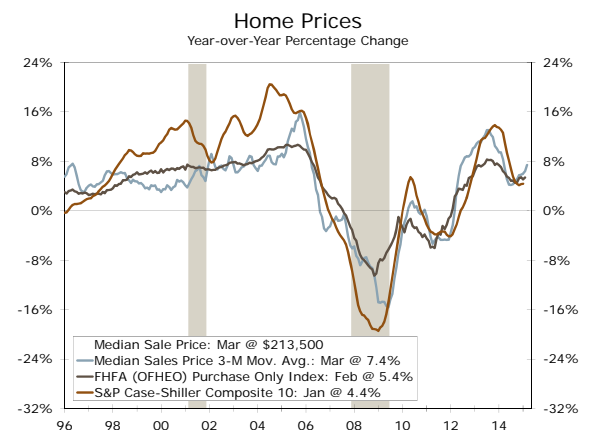
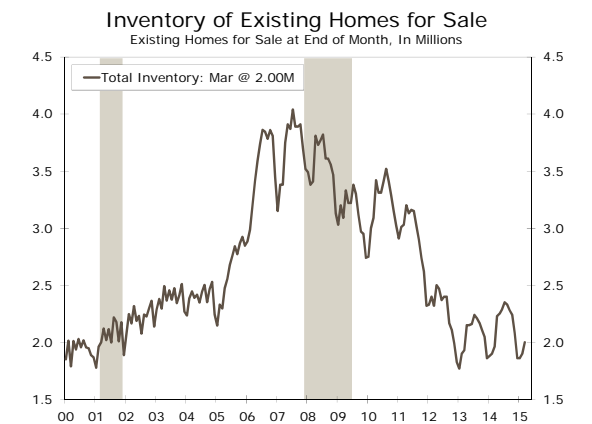
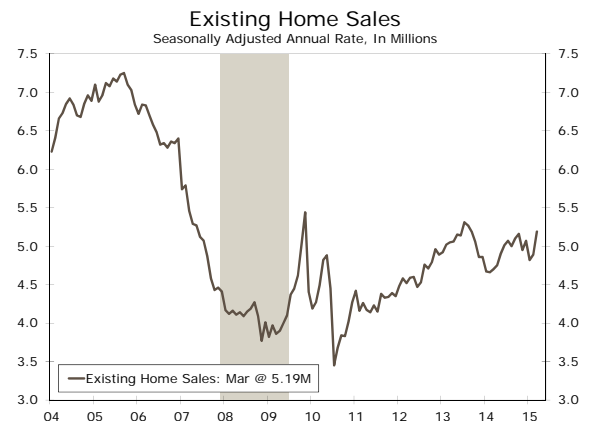
Now that we are firmly out of the colder-than-usual winter patch and home buying season is underway, we can see the forest for the trees. Today's existing home sales report shows that harsh winter weather conditions played a large role in softer-than-expected sales activity from November through January. Sales for existing homes came in much better than the consensus estimate, rising 6.1 percent in March. At a seasonally adjusted rate of 5.19 million in March, the level of existing home sales reached is the highest since September 2013. Single-family firmed 5.5 percent and condos/co-ops jumped 11.1 percent during the month.

Although the new home sales report that will be released tomorrow will likely show a decline in activity during the month, we believe existing home sales and other housing market indicators, including pending home sales and mortgage applications, are a better barometer of the true health of the housing market. In fact, pending home sales increased for the second straight month in February and mortgage applications for the purchase of a home are now up 15.6 percent over the past year. We are cautiously optimistic about the housing outlook in 2015, but are realistic about the hurdles that continue to impede a faster housing recovery.

We believe the low level of inventories is likely the largest barrier, especially for lower-priced homes, but slower-than-expected household formations in 2014 and still-tight mortgage credit also top the list. That said, total listed inventories on a seasonally adjusted basis rose 4.6 percent in March following a five-month string of declines. On a non-seasonally adjusted basis, inventories grew 5.3 percent in March to 2.0 million homes for sale. As we have written in previous reports, inventories typically follow a seasonal pattern and are low in the winter months, but the increase in March could be the first sign that sellers are getting ready for the spring home buying season. For inventories, the trajectory of home prices will be a key driver in the decision for an owner to put their home on the market.

We expect prices to remain somewhat stable over the next two years. Total median home sales are now up almost 8 percent year-over-year and all other major home price indices are also showing a similar trend, with home price appreciation somewhere in the 4-8 percent range. However, if more inventory comes on line, we could begin to see a modest downward shift in the range of home price appreciation.

Also in the report are the total share of distressed sales and all-cash buyers. Distressed transactions are now just 10 percent of total sales. A big part of the lower share of distressed sales is the drop in all-cash transactions. All-cash sales made up 24 percent of total sales in March, which is a considerable decline from a year ago when the proportion was 33 percent.



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