

U.S. Data Review

- Existing home sales: firm in January; upper end of elevated range

Michael Moran

Daiwa Capital Markets America
 212-612-6392
michael.moran@us.daiwacm.com

Existing Home Sales

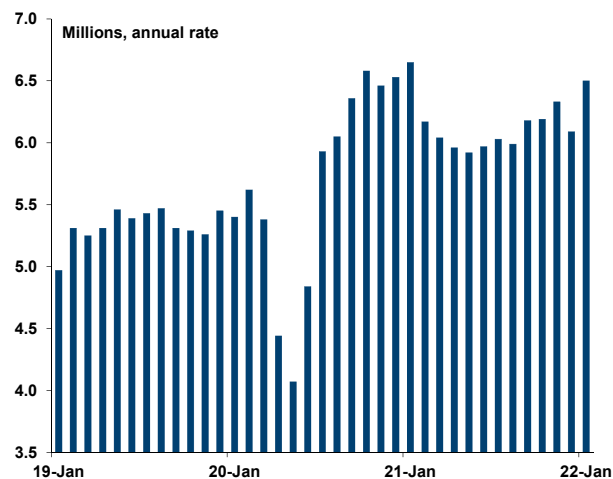
Sales of existing homes jumped 6.7 percent in January, noticeably stronger than the expected decline of 1.3 percent. Part of the surprising increase was the result of downward revisions to the previous month, but the level of sales was still easily better than expected (6.50 million units, annual rate, versus a consensus estimate of 6.10 million). The expected decline was based on the view that a lean inventory of homes for sale and high prices would constrain activity. However, the prospect of higher interest rates probably motivated potential home buyers to act despite an environment favoring sellers.

The pickup in sales pushed activity back to the elevated range seen in late 2020 and the start of 2021, and this range was noticeably stronger than results in the prior expansion, although it lagged activity in the early 2000s. Sales in January were broad-based geographically, with all four regions posting advances. Three of the four regions moved above levels seen throughout most of last year; only the West trailed the pace in 2021.

Lean inventories have been a constraint on sales for some time, and this situation worsened slightly in January. The number of homes for sale fell 2.3 percent, and with the pickup in sales, the months' supply of homes on the market eased to 1.6 months, down from 1.7 in January and a new record low (chart, right).

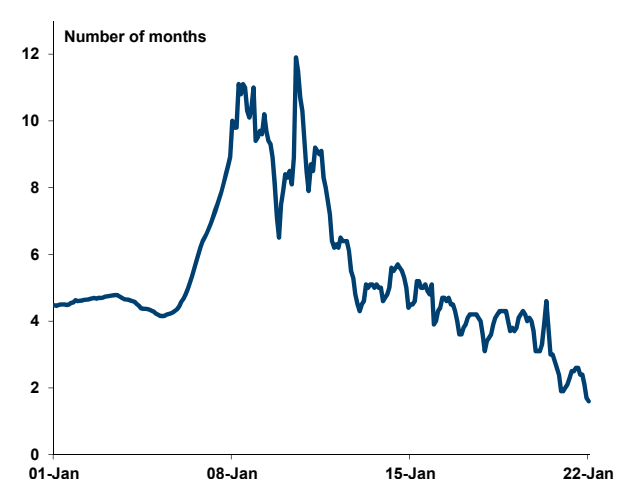
Today's report included benchmark revisions to prior years. Sales in 2019 and 2020 were a tad softer than previously believed, while activity last year was slightly better. The three years combined showed a net improvement from previous readings, although the magnitude of the overall adjustment was inconsequential.

Existing Home Sales



Source: National Association of Realtors via Haver Analytics

Months' Supply of Unsold Homes



Source: National Association of Realtors via Haver Analytics

This report is issued by Daiwa Securities Group Inc. through its relevant group companies. Daiwa Securities Group Inc. is the global brand name of Daiwa Securities Co. Ltd., Tokyo ("Daiwa Securities") and its subsidiaries worldwide that are authorized to do business within their respective jurisdictions. These include: Daiwa Capital Markets Hong Kong Ltd. (Hong Kong), regulated by the Hong Kong Securities and Futures Commission, Daiwa Capital Markets Europe Limited (London), regulated by the Financial Conduct Authority and a member of the London Stock Exchange, and Daiwa Capital Markets America Inc. (New York), a U.S. brokerdealer registered with the U.S. Securities and Exchange Commission, a futures commission merchant regulated by the U.S. Commodity Futures Trading Commission, and a primary dealer in U.S. government securities. The data contained in this report were taken from statistical services, reports in our possession, and from other sources believed to be reliable. The opinions and estimates expressed are our own, and we make no representation or guarantee either as to accuracy, completeness or as to the existence of other facts or interpretations that might be significant.