

U.S. Data Review

- Existing home sales: decline in activity to a new cycle low
- Inventories: continued improvement but still tight from a long-term perspective

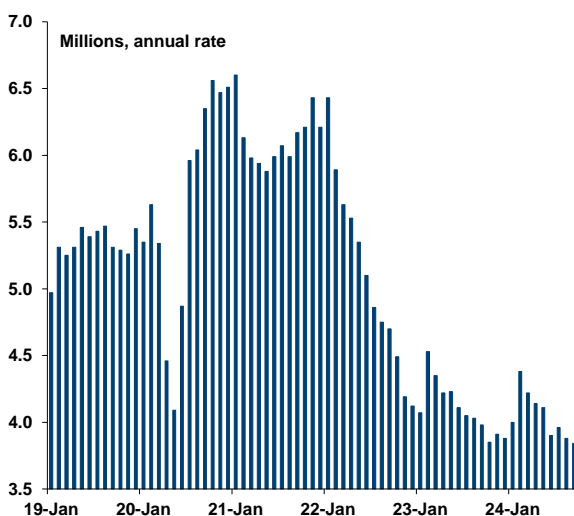
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Existing Home Sales

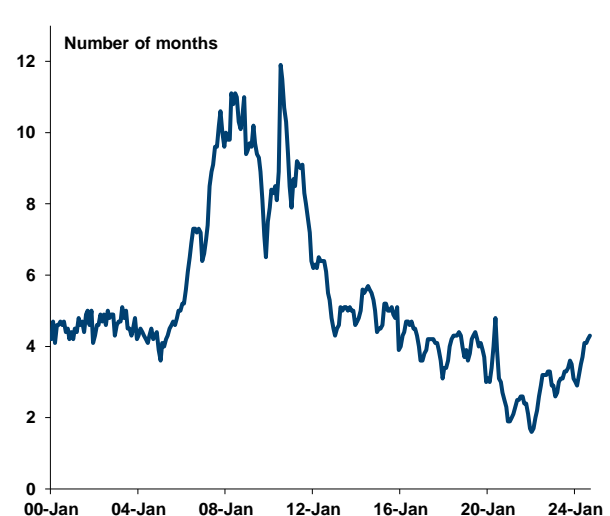
- Sales of existing homes fell 1.0 percent to 3.84 million, annual rate, in September (a reading slightly below the Bloomberg median expectation of 3.88 million units). The sixth decline in activity in the past seven months left sales not only at the slowest pace in the current expansion but also at the lowest level since October 2010 (chart, below left). Affordability constraints from tight inventories and elevated prices continue to hinder activity in this market, with a broader recovery unlikely to occur until conditions shift enough to entice buyers from the sideline. In that regard, the Federal Reserve's initiation of an easing cycle in September could pave the way for improvement as lower mortgage rates broaden the pool of prospective buyers.
- The drop in activity was relatively broad-based, with three of the four major geographic regions reporting declines in the latest month. The Northeast posted the largest month-to-month decrease, with sales dipping 4.2 percent to 460,000 units, annual rate. The Midwest and South posted more muted declines, falling 2.2 and 1.7 percent, respectively, to 900,000 and 1.72 million. The West, conversely, posted the sole increase in the group, rising 4.1 percent to 760,000 units. Despite the pickup in the West, sales remained in the low end of the longer-run range - as did sales in the other three regions.
- Consistent with the decline in activity, the median sales price fell 2.3 percent month-over-month to \$404,500, the third consecutive decrease. That said, the latest shift leaves the median price only \$22,400 off the record high of \$426,900 in June 2024. On a year-over-year basis, the measure was up 3.0 percent (versus +2.5 percent in the prior month).
- While tight inventories have both supported high prices and restricted sales, hints of improvement have emerged recently. As NAR Chief Economist Lawrence Yun noted in the official release, "There are more inventory choices for consumers, lower mortgage rates than a year ago and continued job additions to the economy." On the point of supply, the inventory of homes available for sale rose 1.5 percent month-over-month to 1.39 million in September (+23.0 percent year-over-year), its ninth consecutive increase. The latest reading translated to a months' supply of 4.3 months at the current sales pace. The September reading was up from 4.2 months in August and the record low of 1.6 in January 2022. Even so, there is still room for improvement as the inventory situation remains constrained from a longer-term perspective (chart, below right).

Existing Home Sales



Source: National Association of Realtors via Haver Analytics

Months' Supply of Unsold Homes



Source: National Association of Realtors via Haver Analytics

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