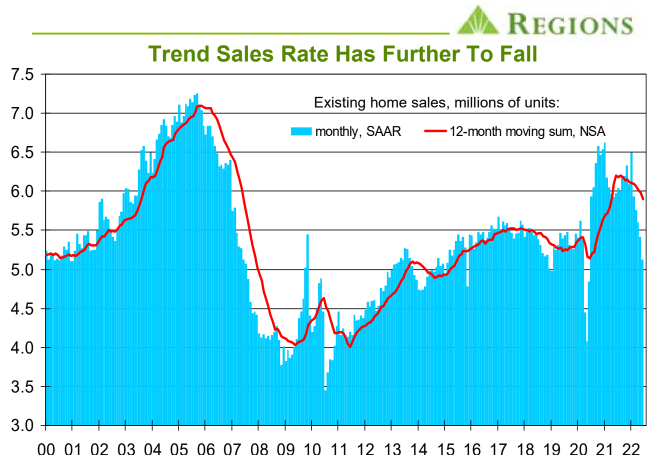
ECONOMIC UPDATE
REGIONS
July 20, 2022

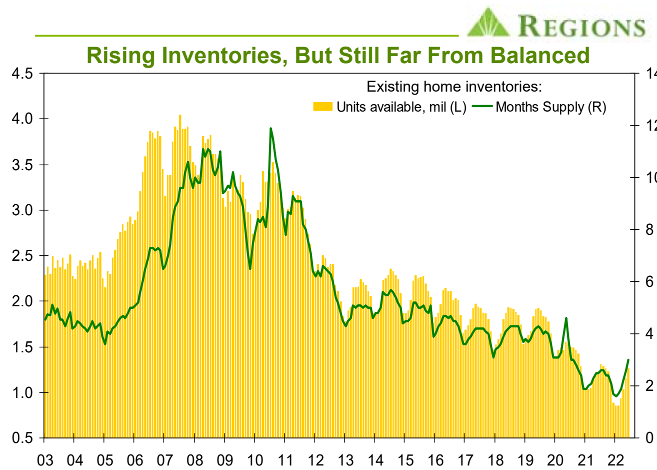
June Existing Home Sales: Still More Room To The Downside

- Existing home sales fell to an annualized rate of 5.120 million units in June from May's sales rate of 5.410 million units
- Months supply of inventory stands at 3.0 months; the median existing home sale price rose by 13.4 percent on a year-over-year basis

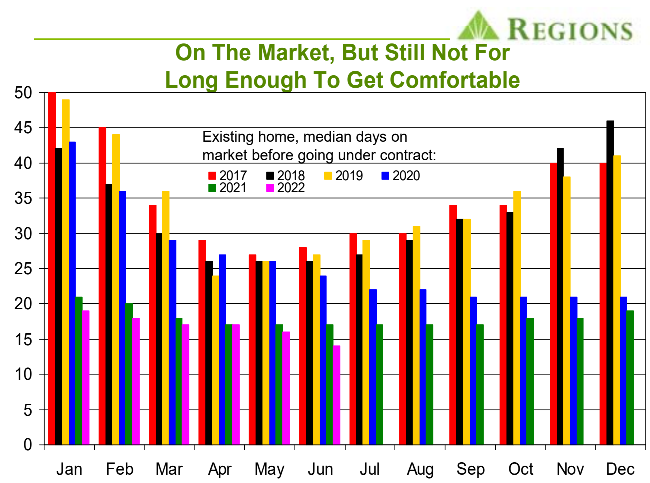
Total existing home sales fell to an annualized rate of 5.120 million units in June, a bit shy of our forecast of 5.140 million units but well short of the consensus forecast of 5.340 million units. Given that existing home sales are booked at closing, June sales largely reflect sales contracts signed between mid-April and late-May, a period which captures some, but not all, of the spike in mortgage interest rates. This suggests even weaker sales in July, though that will best be seen in the not seasonally adjusted data. On a not seasonally adjusted basis, there were 526,000 existing home sales in June, a bit ahead of our forecast of 522,000 sales, and an increase of 5.1 percent from May. This, however, is significantly smaller than the typical June increase, courtesy of higher mortgage rates, which accounts for the headline sales number looking as weak as it does. That is simply a matter of degree, as it is quite clear that with affordability diminished even further by the rise in mortgage interest rates and inventories which, although higher, remain lean, existing home sales have slowed sharply, and there is further room to the downside. Listings of existing homes for sale rose by 9.57 percent in June, a little short of the double-digit increase our forecast anticipated, meaning that at June's sales rate listings are equivalent to three months of sales. While this puts the months supply metric higher than it has been since August 2020, it nonetheless remains well below the six months that would be consistent with a balanced market. The median sales price was up 13.4 percent year-on-year in June, smaller than the increases seen over the prior several months, with further deceleration on tap over coming months.



As noted above, the not seasonally adjusted data show 526,000 existing home sales in June, which translates into a year-on-year decline of 14.5 percent. As of June, the running twelve-month total of unadjusted sales, which we consider the most reliable gauge of underlying sales trends, stands at 5.896 million units, the lowest such total since March 2021. On a year-to-date basis, sales are down 7.8 percent nationally, with declines of 5.5 percent in the Midwest region, 6.5 percent in the South, 10.7 percent in the West, and 12.0 percent in the Northeast. If we are correct in thinking that the full effects of higher mortgage interest rates have yet to work their way into the data on existing home sales, the trend sales rate will fall further in the months ahead.



Listings of existing homes for sale rose to 1.260 million units in June, up 9.6 percent from May and up 2.4 percent year-on-year, the first over-the-year increase since May 2019. Even with listings on the rise, the market remains undersupplied. It is striking that, despite the softening trend in sales, homes are not remaining on the market very long before going under contract. Indeed, median days on market fell to an all-time low of 14 days for homes sold in June, and NAR reports eighty-eight percent of homes sold in June were on the market for less than a month. One reason time on market remains so low is that sellers are now making concessions on asking prices, with various sources indicating a rising share of homes on which asking prices have been reduced. We have maintained that while higher mortgage interest rates would lead to some erosion in demand, supply is still no match for demand, and the inventory numbers bear this out. What has changed, however, is that sellers are no longer as securely in the driver's seat as they had been over the prior several months. Keep in mind, however, that a reduction in the asking price will still leave many sellers with a sizable gain on the sale of their home, just not as large of a gain as may have been the case a few months ago. That the median sales price hit a new record high ($416,000) in June and that we are still seeing double-digit over-the-year increases are indications that demand has not totally dried up, nor do we expect that to be the case. Moreover, to the extent that sellers remain willing to be flexible on pricing, it could be that median time on market doesn't change all that much in the months ahead; should we see it lengthen to a meaningful degree, that would be a sign that demand has taken another leg down. Cash buyers accounted for one-quarter of all existing home sales in June, matching May's share and down only slightly from earlier in the year. These buyers of course are not swayed by higher mortgage rates, and the elevated share of cash buyers also helps account for time on market remaining so low, but prospective first-time buyers remain at a disadvantage.



Regions Financial Corporation, 1900 5th Avenue North, 17th Floor, Birmingham, Alabama 35203
Richard F. Moody, Chief Economist • 205.264.7545 • richard.moody@regions.com