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## March Existing Home Sales: Lots To Unpack Here, None Of It Good . . .

- Existing home sales fell to an annualized rate of 5.270 million units in March from February's (revised) sales rate of 5.760 million units
- Months supply of inventory stands at 3.4 months; the median existing home sale price rose by 8.0 percent on a year-over-year basis

Total existing home sales fell to an annualized rate of 5.270 million in March, a bit ahead of our forecast of a sales rate of 5.220 million units. Listings of existing homes for sale rose slightly in March, in stark contrast to the sizable decline our forecast anticipated, which pushed the months supply metric up to 3.4 months, but still well below the 6.0 months of supply that would be consistent with a balanced market. The median existing home sales price rose 8.0 percent year-on-year. March's annualized sales rate reflects an 8.5 percent decline from February, which is the largest such decline since November 2015. While the seemingly obvious conclusion is that the steep decline in March reflects the effects of the coronavirus and the efforts to contain its spread, that isn't the case. Keep in mind that existing home sales are booked at closing, and March closings largely reflect sales contracts signed from mid-January through February, which were strong. There were some closings that did not occur late in March due to the virus, but it will not be until the April and, to an even larger extent, the May data that the effects of the coronavirus will be fully apparent in the existing home sales data.

On a not seasonally adjusted basis, there were 415,000 existing homes sold in March, topping our forecast of 406,000 sales and reflecting a 23.9 percent increase over February sales. Still, as seen in our middle chart, this is a smaller increase seen in the month of March – over the 2000-2019 period, unadjusted sales rose by an average of 33.1 percent in March, with 2008 the only year in which the March increase was smaller than that seen this March. So, again, the tendency may be to attribute this to the effects of the coronavirus, but, again, we'd take issue with that.

The surprise increase in March notwithstanding, we'd argue that extraordinarily lean inventories were the biggest drag on sales in March – and we'll reiterate that March sales mainly reflect contracts signed over the mid-January through February period. The increase in listings in March reported by NAR is at odds with reports from other sources of large declines in listings, and these reports helped shape our forecast of a sharp decline in inventory in the March NAR data. As March wore on, there were increasing reports of would-be sellers pulling their homes from the market, amidst growing fears of the spread of the coronavirus or mounting anxiety over the course of the economy. It is true that March is typically the beginning of the seasonal increase in listings ahead of the Spring sales season, and that apparently offset listings being pulled as the month wore on. Also, sellers began to resort to virtual open houses, which would have helped preserve listings. It is the April inventory data that will tell the real story, however, as April is the month in any given year in which the increase in listings is the largest. We'll be surprised to see any increase, let alone a typical April increase, in listings this April. And, either way, perhaps the most relevant point to keep in mind here is that even with the surprise increase in March, listings were still down 10.2 percent year-on-year, the tenth consecutive over-the-year decline in listings and the third straight month in which that decline was a double-digit decline. This is in keeping with our premise that lean inventories were the biggest constraint on March existing home sales. To that point, the median number of days on market for sales closed in March was 29 days, reflecting stiff competition amongst buyers taking advantage of low mortgage interest rates.

We expect significant declines in existing home sales in the months ahead. But, going back once again to the point that existing home sales are booked at closing, it will not be until the May data that the full extent of the decline in sales is apparent. With activity having been strong over the first half of March, that will put somewhat of a floor under April existing home sales, however flimsy that floor may be. April will be the first full month in which sales activity was depressed over the course of the entire month, and that will be reflected in May closings. To be sure, virtual open houses and e-closings and the waiving of home inspections will help preserve some sales, but there is little chance that will be enough to sustain sales in the face of what will be a dramatic drop in demand.

