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## March Existing Home Sales: Trend Rate Of Sales Rising, But For How Much Longer?

- Existing home sales fell to an annualized rate of 6.010 million units in March from February's (revised) sales rate of 6.240 million units
- Months supply of inventory stands at 2.0 months; the median existing home sale price rose by 17.4 percent on a year-over-year basis

Total existing home sales fell to an annualized rate of 6.010 million units in March, between what we (5.970 million) and the consensus (6.110 million) expected. While the headline sales number was slightly above our forecast, March sales were much stronger than we expected where it matters most, i.e., in the not seasonally adjusted data. On a not seasonally adjusted basis, there were 484,000 existing homes sold in March, easily topping our forecast of 463,000 sales and up 32.2 percent from February, or, right in line with the typical increase in the month of March. As of March, the running 12-month total of not seasonally adjusted sales, which we think to be the most reliable gauge of the underlying sales trend, stood at 5.792 million units, the highest such total since June 2007, which is managing to escape notice in most accounts of the March data. To be sure, the main question is how much more upside remains for the trend sales rate, and the inventory data don't offer much encouragement. While listings did rise to 1.070 million units in March, lagging our forecast of 1.100 million units, keep in mind that listings were flat in February which, in a typical year, is the month inventories start to build ahead of the spring sales season. That there has been so little build-up in listings thus far raises a huge red flag for the spring sales season. The median existing home sales price rose to \$329,100 in March, the highest on record, reflecting a year-on-year increase of 17.4 percent, the largest such increase on record. While the frenzied pace of price appreciation reflects still-solid demand and extraordinarily lean inventories, there are mix issues at play. While listings are lean all over, they are particularly so in the lower price ranges, thus biasing the mix of sales toward the upper price ranges.

As noted above, on a not seasonally adjusted basis, there were 484,000 existing homes sold in March, which may seem surprising in light of how weak pending home sales were in February. Pending home sales measure signed sales contracts and tend to lead existing home sales, which are booked at closing, by 30-45 days. While February's unusually harsh winter weather likely held down pending home sales, it also likely held down closings, some of which were likely pushed into March, which factored into our forecast. Our forecast of not seasonally adjusted existing home sales in March in essence outperformed the February data on pending home sales, and actual sales, again not seasonally adjusted, outperformed our forecast. The extent to which weather effects pushed pending home sales from February into March remains to be seen, but next week's release of the March data will help answer that question, which will in turn shape our expectations of April existing home sales.

The bigger factor, however, will be inventories. As noted above, thus far there has been very little inventory build ahead of the traditional spring sales season. That build typically picks up considerable steam in April, which is the month of the year in which we see the largest increase in listings – on average, listings rise by better than eight percent in the month of April. While listings are likely to rise further in April, our sense is that the increase will be much smaller than is typical for the month, with meaningful relief on the inventory front not likely to come until the back half of 2021, meaning that in the interim price appreciation is likely to continued at a frenzied pace. Simply looking at the number of listings or the months supply metric doesn't fully convey how lean inventories are. In March, 83 percent of homes sold had been on the market for less than a month, and the median days on market metric fell to 18 days, the lowest on record. Another indication of how competitive buyers have become is the rising share of all-cash sales, which accounted for 23 percent of all March sales. In a market this competitive, cash offers enable prospective buyers to stand out to sellers, but obviously most prospective buyers do not have the means for all-cash transactions. One alternative is to push up offer prices, and while there are no firm statistics on above-asking price offers, anecdotal reports suggest they are becoming more and more common.

While mortgage interest rates have given back some of their recent gains, the rapid pace of price appreciation being fueled by lean inventories still poses a threat to affordability, particularly as higher prices mean higher down payment requirements. So, while sales have been trending higher, that won't last without relief on the supply side of the market.

