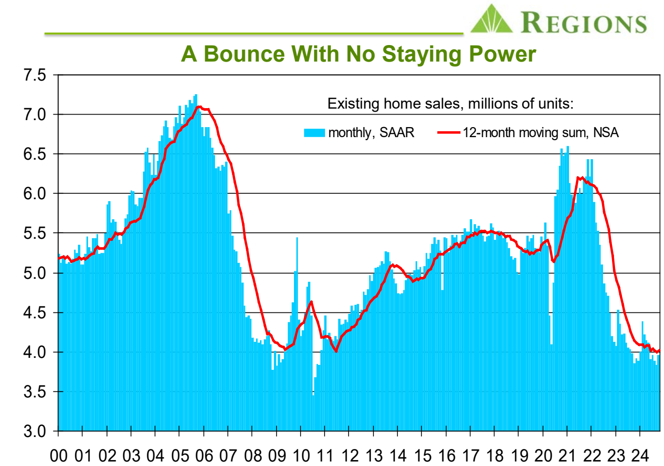
ECONOMIC UPDATE
REGIONS
November 21, 2024

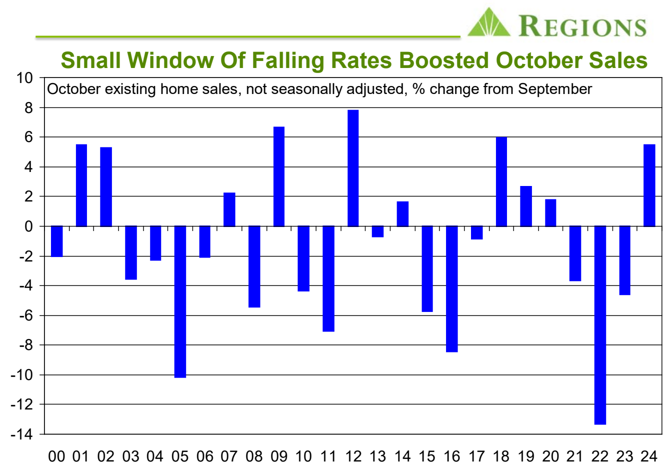
October Existing Home Sales: Small Window Of Falling Rates Boosted Sales

- Existing home sales rose to an annualized rate of 3.96 million units in October from September's sales rate of 3.83 million units
- Months supply of inventory stands at 4.2 months; the median existing home sale price rose by 4.0 percent year-on-year

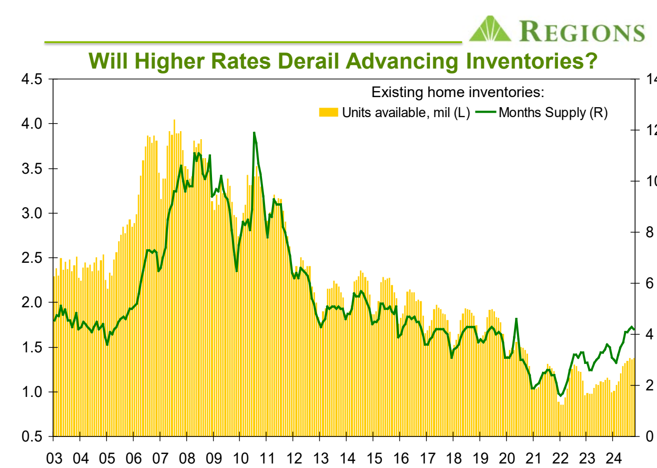
Total existing home sales rose to an annual rate of 3.96 million units in October, between the consensus forecast of 3.95 million units and our forecast of 3.98 million units. While sales were up 2.9 percent year-on-year, the first such increase since July 2021, there was one more sales day this October than last October and adjusting for this leaves the year-on-year increase at a scant 0.1 percent. Then again, with the housing market having been battered about by higher mortgage interest rates, let's just concede that up is up and leave it at that. Inventories of existing homes for sale rose modestly in October, though this only reverses the modest drop seen in the September data, while the median sales price rose by 4.0 percent year-on-year, matching our forecast. The not seasonally adjusted data show sales of 348,000 units, slightly better than our forecast of 345,000 units and up 5.5 percent from September. Keep in mind that existing home sales are booked at closing, and October closings mostly reflect sales contracts signed from late-August through September, a period over which mortgage interest rates were falling. That this September's decline in not seasonally adjusted pending home sales was far smaller than the typical September decline was an indicator of the beneficial effects of lower mortgage interest rates. Since the end of September, however, mortgage interest rates have risen by almost one hundred basis points, even amid the FOMC cutting the Fed funds rate by a total of seventy-five basis points, and applications for purchase mortgage loans have sagged. This tells us that while existing home sales bounced smartly in October, that bounce will not be sustained, and we expect the November data to show sales reversing course and heading lower. Moreover, to the extent that lower mortgage interest rates had helped unlock some supply, the reversal in mortgage interest rates raises the question of whether, or at least to what extent, the advance in inventories of existing homes for sale will continue over coming months.



As noted above, the not seasonally adjusted data show sales of 348,000 units in October, up 5.5 percent over September which, as our middle chart shows, is a better performance than is typically seen in the month of October. This leaves the running twelve-month total of not seasonally adjusted sales, which we see as the most meaningful gauge of the trend sales rate, at 4.015 million units, up slightly from September's count but which still, as illustrated in our top chart, leaves the trend sales rate bumping along at a notably low level. Unadjusted sales increased in each of the four broad regions in October, with the increase in the South region coming despite disruptions related to the hurricanes. On a year-to-date basis through October, unadjusted sales are down 2.1 percent nationally, and while sales are up 0.9 percent in the West region, they are down 2.4 percent in both the Midwest and Northeast and down 3.0 percent in the South.



The up only modestly from September, the increase in inventories in October nonetheless leaves them up 19.1 percent year-on-year, marking an eight consecutive month in which inventories were up by double-digits on a year-on-year basis. We are, however, in the part of the year in which we typically see seasonal declines in inventories (the NAR inventory data are not seasonally adjusted). This, coupled with the sharp increase in mortgage interest rates likely locking more inventory in place, threatens to stall the advance in inventories seen over the past several months. Though at October's sales rate inventories were equivalent to 4.2 months of sales, this is still easily short of the threshold consistent with the market being in balance. That said, with hits to both the supply and demand sides of the market from higher mortgage interest rates, the months supply metric may be little changed in the months ahead.



With higher mortgage interest rates eroding demand by making affordability constraints even more pressing, something will have to give in order to stem the decline in existing home sales, and that something will have to be price. In contrast to builders who can offer an array of incentives, including mortgage rate buydowns, to facilitate sales of new homes, price is one of the few levers owners of existing homes can pull. As such, we look for the pace of price appreciation to slow further in the months ahead, though this will be better seen in the various repeat sales price indexes than in the median sales price, which is highly sensitive to the mix, across price points, of homes being sold.

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