ECONOMIC UPDATE

REGIONS

January 14, 2026

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December Existing Home Sales: Details Don't Live Up To The Headline

› Existing home sales <u>rose</u> to an annualized rate of 4.35 million units in December from November's (revised) sales rate of 4.14 million units
› Months supply of inventory stands at 3.3 months; the median existing home sale price <u>rose</u> by 0.5 percent year-on-year
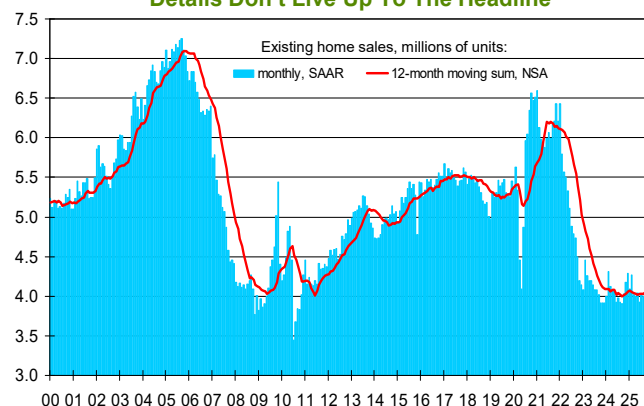
Total existing home sales rose to an annual rate of 4.35 million units in December, well above what we and the consensus expected and the fastest monthly sales pace since February 2023. Not seasonally adjusted sales came in at 345,000 units, handily beating our forecast, up 17.0 percent from November and up 4.9 percent year-on-year. With inventories of existing homes for sale falling sharpy, as they are wont to do in the month of December, the faster sales rate pushed the months supply metric down to 3.3 months from 4.2 months in November. The median existing home sales price rose by just 0.5 percent year-on-year (based on the not seasonally adjusted data), the weakest showing since June 2023. While many have been quick to attribute the jump in sales to lower mortgage interest rates helping alleviate affordability constraints, that seems more like a case of fitting a story to the headline. We have a simpler explanation, which is that calendar effects seemingly not fully accounted for in the December seasonal factor are making sales look much stronger than was actually the case. There was one more sales day this December than last, and this extra sales day helped boost not seasonally adjusted sales in December and flattered the over-the-year increase in unadjusted sales. Adjusting for this extra sales day yields a year-on-year increase in not seasonally adjusted sales of 0.1 percent, just a tad softer than the 4.9 percent gain when not adjusting for sales day counts. That is also seen to some extent in the headline sales print, with the seasonally adjusted annualized sales rate up 1.4 percent year-on-year. The reality is that existing home sales literally did not budge in 2025, and while the dip in mortgage interest rates seen over recent weeks will help, affordability constraints remain a considerable weight on demand, and it will likely require more relief on the pricing front to make a meaningful dent in these affordability constraints.

Our middle chart illustrates our point about the boost from the added sales day, with not seasonally adjusted sales up 17.0 percent from November. To be sure, such calendar effects are present now and again over the course of any given year, but the final reckoning comes in the form of annual sales based on the not seasonally adjusted data. For full-year 2025, existing home sales came in at 4.061 million units, compared to 2024's total of 4.062 million units. As shown in our top-chart, the running twelve-month total of not seasonally adjusted sales, which we see as the best gauge of the underlying trend sales rate, has barely moved for more than two years. This can also be seen in our bottom chart, which breaks down annual sales by the four broad geographic regions. You have to look really hard to see any difference in the annual sales counts over the past three years. Our view is that this reflects a market in which ongoing inventory constraints, even if less so than had been the case, and ongoing affordability constraints add up to a somewhat static market. Lower mortgage interest rates would help on both fronts, freeing up more buyers "locked in" place by the low mortgage rates on their current loans and easing the affordability constraints keeping many prospective buyers on the sidelines. To our earlier point, however, while recent declines in mortgage interest rates will help, absent more meaningful relief on the pricing front sales may edge higher over coming months but are unlikely to break too far free from the tepid trend sales rate that has prevailed over the past two-plus years.
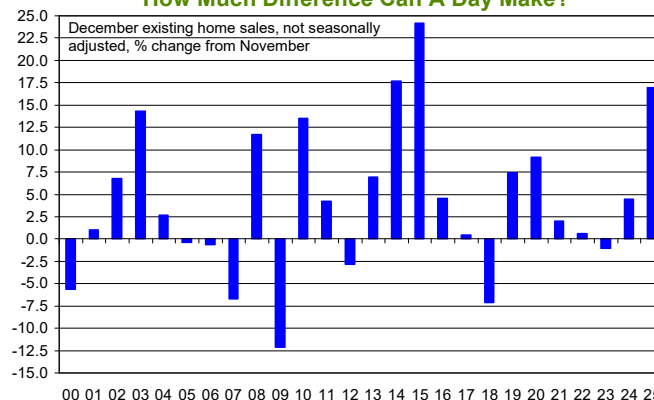
It should be noted that the median sales price is not all that useful as a guide to price trends, as the median price is dependent on the mix of sales across price points in any given month. The various repeat sales indexes, which track changes in sales of the same units over time with the results compiled into a price index, are a much better guide, and are the basis of our comments on pricing. While the repeat sales indexes do show declining house prices in many markets across the U.S., those declines are coming off what in many cases were dizzying peaks and, as such, have not provided much relief on the affordability front. Again, while lower mortgage interest rates will help, we think pricing will have to do more of the heavy lifting to make a meaningful dent in affordability constraints. It is the case that more and more sellers are having to lower asking prices to facilitate sales, and it is important to note this need not mean the seller is taking a loss on their sale. With time on market pushing higher, it could be that sellers become more flexible on pricing, but to our earlier point that will likely be a gradual shift, consistent with only gradual improvement in sales.

Details Don't Live Up To The Headline
Existing home sales, millions of units:
monthly, SAAR — 12-month moving sum, NSA

How Much Difference Can A Day Make?
December existing home sales, not seasonally adjusted, % change from November

Sales Once Again Stubbornly Refuse To Budge In 2025
Annual existing home sales, millions of units:
2016 2017 2018 2019 2020 2021 2022 2023 2024 2025

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