TD Economics

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Data Release: Existing home sales start to show early signs of a Spring thaw

- U.S. existing home sales rose by 1.2% to 4.88 million units in February. The number came in just shy of expectations, which called for a slightly stronger increase to 4.90 million.
- The increase in sales was concentrated solely in the single-family segment, which increased by 1.4% m/m to 4.34 million units. Sales of multifamily properties remained unchanged on the month at 0.54 million.
- The median price of homes accelerated to 7.6% y/y in February, which was largely a result of single-family home prices rising to 8.2% y/y. The median price for existing multifamily homes rose by a much more subdued 2.8% y/y.
- The share of distressed sales remained unchanged at 11% on the month, which was 5 percentage points lower than year-ago levels.
- First-time homebuyers accounted for 29% of transactions – up 1 percentage point from both the month prior and last year's level.
- The inventory of unsold homes – measured in months' supply – remained unchanged at 4.6 months. In terms of the breakdown, the inventory of single-family homes nudged lower to 4.6 months (from 4.7 the month prior), while multifamily increased by a whopping 1.1 months to 5.4.
- Regionally, sales were up in the West (+7.7% m/m) and South (+1.1% m/m), while sales slumped in the Northeast (-5.8% m/m) and remained flat in the Midwest (0.0% m/m).

Key Implications

- After the spate of weaker housing data over the last two months, it was nice to see a bounce back in existing home sales in February. While winter still managed to rear its head in both the Northeast and Midwest, we expect declines in those regions to be paid back with faster growth over the coming months.

- The pullback in multifamily prices last month – decelerating from 5.3% y/y to 2.8% y/y – appears to be an inventory story, as the supply of multifamily existing homes increased by a whopping 1.1 months in February, landing at 5.4 months.

- The ratio of existing to new home sales has steadily trended lower since July of last year and currently sits at a new cyclical low of 10 (existing home sales to one new home sale). While still well above its historical average of 5.5, the downward trend is encouraging as it suggests an increasing number of sales are starting to come from higher value-added new construction projects.

- Despite the recent weakness across most housing indicators, we remain cautiously optimistic on the recovery moving forward. Slowing investor activity has helped to moderate price gains, while mortgage rates have largely tracked lower over the first three months of 2015 – with the 30-year fixed conventional mortgage rate currently sitting in around 3.75%. With affordability remaining favorable and labor market conditions continuing to improve, we expect both new and existing home sales to pick-up markedly as we move into the warmer months.

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