



TD Economics

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Data Release: U.S. existing home sales rise sharply in May

- U.S. existing homes sales moved up sharply in May, rising by 4.9% m/m to 4.89 million (annualized) units. Today's headline number was considerably above the median consensus forecast, which called for 1.9% gain in existing home sales to 4.74 million units. Slight positive revisions nudged April's sales up by 0.01 million to 4.66 million units.
- May's gains were concentrated entirely in the single-family segment, where sales advanced by 5.7% m/m to 4.3M (annualized) units. Meanwhile, sales of condos/co-ops were flat on the month at 0.59M units.
- The share of distressed sales fell to 11% in May, down from 15% in April and 18% a year-ago. Foreclosures accounted for 8% of May's sales, and short sales for 3%. All-cash sales represented 32% of all transactions in May – unchanged from the two months prior.
- On a year-over-year basis, home prices grew by 5.1% – unchanged from the pace posted a month earlier. Median prices for single-family homes increased 4.9% y/y – an acceleration relative to the April's 4.6% pace. Meanwhile, price growth for condos/co-ops decelerated from 8.3% y/y to 6.6% y/y.
- The inventory of homes for sale on the market – measured in months' supply – edged lower to 5.6 months from 5.7 in April. The average number of days that a home was on the market fell to 47 days, down from 48 days a month earlier.
- Geographically, sales rose in all regions, with the strongest gains in the Midwest (+8.7% to 1.13M) and South (+5.7% to 2.05M). Increases were more moderate in the Northeast (+3.3% to 0.62M) and West (+0.9% to 1.09M).

Key Implications

- Today's report is very positive, with existing home sales posting their second consecutive monthly gain and delivering the best monthly performance since August 2011. It was especially encouraging to see a substantial improvement in the single-family segment, which underperformed to a greater degree since last July. All in all, today's report provided affirmation that existing home sales are rebounding following two quarters of disappointing results, which should help to quell the fears of sceptics that the U.S housing recovery is heading south.
- Despite the strong uptick in May, sales remain 5% below their year-ago level and 9% below their July's peak of 5.38M units. This highlights the considerable ground that still needs to be made before sales merely return to last year's level. This task, however, is not an impossible one. Given the robust employment gains, rising inventory and modest decline in mortgage rates, homebuyers should continue to emerge from the sidelines in the coming months.

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