



TD Economics

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Data Release: Existing home sales surpass 5 million threshold with authority

- Existing home sales rose by 4.2% to 5.18 million in May, well ahead of the 5 million mark anticipated by surveyed economists. The gain came atop of last month's unrevised reading of 4.97 million units.
- The sales increase was driven by single-family homes, which rose 5.0% on the month to 4.6 million units. Meanwhile, condos and co-ops slipped 1.7% to 580k units in May.
- Distressed homes sales – measured as a share of total sales – remained unchanged on the month, and currently sit at 18%.
- The median home price rose 15.4% year-over-year to \$208,000, with both single family and condos/co-ops posting solid gains on the month.
- Inventory of existing home sales on the market – as measured in months supply – fell to 5.1 from the 5.2 posted the month prior. Furthermore, the number of days that the average home is for sale on the market slipped to 41 days in May, which was down from 46 posted the month prior.

Key Implications

- On the whole, this was solid report. The recovering housing sector has been the most positive element of the U.S. recovery thus far and a key reason for the country's resilience in the face of considerable fiscal drag.
- Home prices continue to march forward, propelled by demand from investors and cash buyers, as well as historically low levels of inventories. With that being said, we expect the strong double digit gains seen in home prices over the past several months to moderate, as rising prices will encourage more construction and additional listings.
- As highlighted in our most recent Quarterly Economic Forecast report, the benefits of rising home prices go well beyond the traditional wealth effects. Rising home prices have continued to pull many households out of negative equity positions (those who owe more on their mortgage than their home is worth) which has ultimately helped boost consumer confidence.

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