

U.S. Data Review

- Existing home sales: constrained by limited inventory and high prices

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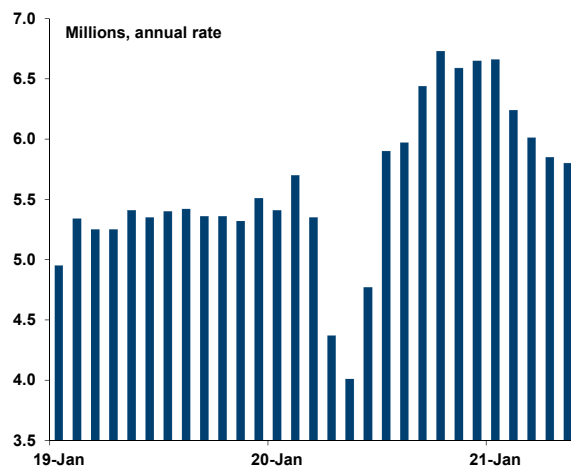
Existing Home Sales

Sales of existing homes fell for the fourth consecutive month in May, although the drop of 0.9 percent was modest compared with the average decline of 4.2 percent in the prior three months. The retreat also was lighter than the consensus estimate of -2.2 percent. Sales are still above pre-pandemic levels, but only moderately so (chart, left).

The easing in the pace of home sales in recent months has been broadly based geographically, with all four major regions showing a softening in activity. Tight supply and elevated prices seem to be key factors constraining activity. The supply situation improved somewhat in May, as the number of homes for sale rose 7.0 percent, sharper than the norm for May (this series is not seasonally adjusted, but the number of homes on the market typically increases only moderately in May -- an average of 1.8 percent in the prior 10 years). The pickup in inventory pushed the months' supply to 2.5 months, up from 2.4 in April and a recent low of 1.9 in January. However, the number of homes for sale and the months' supply remain paltry by historical standards (chart, right).

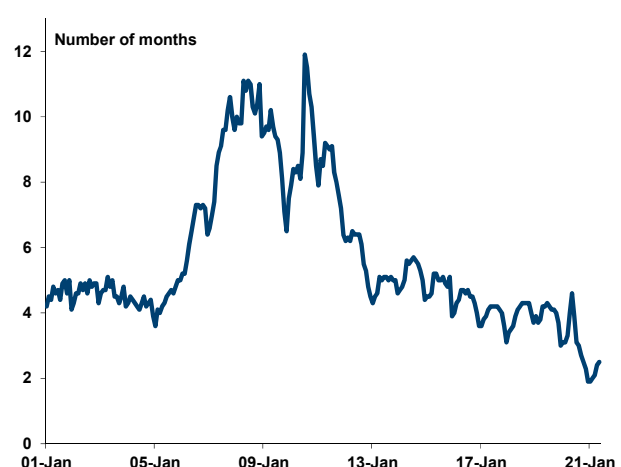
Higher prices have probably squeezed some potential buyers from the market. The median price of homes sold in May totaled \$350,300, up 23.6 percent from the median in May of last year. This is not our preferred measure of home prices because it fluctuates with the type and location of homes sold. However, measures that seek to hold composition constant also have increased sharply (the measure published by the Federal Housing Finance Agency has increased 13.9 percent in the past year). Such changes have put a home purchase out of reach for many individuals, especially with lending standards tight.

Existing Home Sales



Source: National Association of Realtors via Haver Analytics

Months' Supply of Unsold Homes



Source: National Association of Realtors via Haver Analytics

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