

U.S. Data Review

- Existing home sales: limited supply constrains activity

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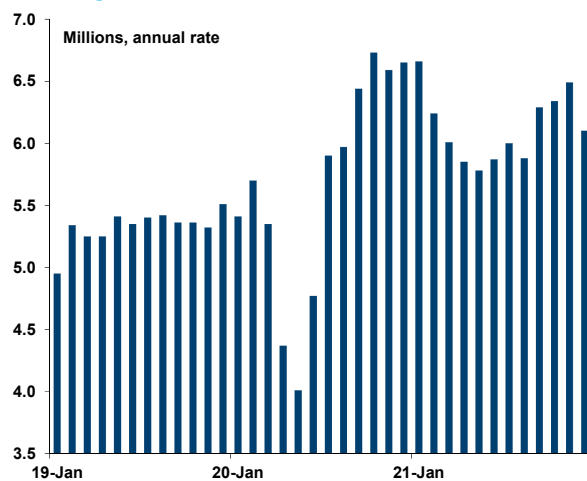
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Existing Home Sales

Sales of existing homes fell 6.0 percent in December, noticeably weaker than the expected drop of 0.5 percent. Results in the prior month were revised upward, but only slightly so (0.5 percent firmer than previously believed). The decline offset a good portion of gains in the prior three months and returned the level of sales to the middle of the recent range (chart, left). That range was firm by historical standards, as sales for all of 2021 were the firmest since 2006, when the housing bubble started to deflate, and sales in 2021 were stronger than pre-bubble totals.

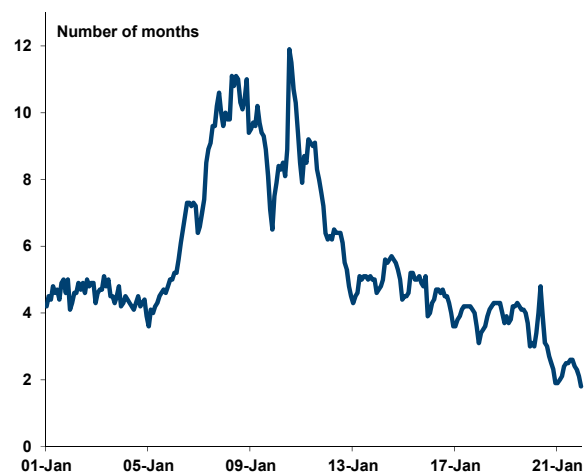
Sales were well shy of expectations, but the surprising softness was probably more the result of limited supply than flagging demand. The number of homes for sale dropped 17.1 percent in December to 920,000 units. This series is not seasonally adjusted and supply typically declines in December, but this shift was more pronounced than the average of -12.1 percent in the prior 10 years. The sharp decline pushed the months' supply of homes to only 1.8 months, a record low and well shy of four to five months that might be considered normal (chart, right).

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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