



August 24, 2016

TD Economics

Data Release: Existing home sales slip in July - first decline in five months

- Existing home sales took a step back in July, with activity falling by 3.2% m/m to 5.39 million (annualized) after reaching a post-recession high of 5.57 million in June. This marked a first decline since February. The headline print was weaker than market expectations, which called for sales to pullback modestly to 5.51 million units.
- The slowdown in activity was broad-based. Sales of single-family homes declined by 2% m/m to 4.82 million, while sales in the smaller and more volatile condo/co-op segment retreated more substantially, falling by 12.3% m/m to 570 thousand.
- However, the market remains in short supply, which is keeping pressure on home prices. Median prices advanced by 5.3% y/y, up from a 4.8% pace in June. Single-family homes led the way, with values increasing 5.4% year-over-year. Prices for condos and co-ops were 4.1% y/y higher than a year ago.
- First-time homebuyers accounted for 32% of transactions, marginally lower than 33% in June but an improvement from 28% seen a year ago. That being said, the share of first-time homebuyers remains depressed relative to historical levels.
- Inventory of houses available for sale remained low. While the number of for-sale homes edged higher on the month (+0.9% m/m), they remained 5.8% lower than a year ago.
- The houses continued to sell relatively briskly amid low inventory, staying on the market on average for 36 days, down from 42 days a year ago.

Key Implications

- Following four months of back-to-back gains, existing home sales were expected to moderate in July. Still, the pullback in activity was larger than the market participants were expecting.
- A substantial decline in mortgage rates during the first half of 2016 was one of the key factors behind this year's pickup in activity. While the overall fundamentals remain supportive of continued progress in the housing market, there are signs that additional support coming from falling interest rates may have run its course and sales momentum is beginning to moderate. This is corroborated by MBA indexes of purchase and refinance activity, which have both slipped from their recent peaks.
- Low inventory of houses available for sales also continues to weigh on sales performance and affordability. As a result, while we expect home purchases to continue to rise in the second half of the year on the back of job market gains and low mortgage rates, the improvement is likely to be more gradual given the very low supply.

Ksenia Bushmeneva, Economist
416-308-7392

 @TD_Economics

DISCLAIMER

This report is provided by TD Economics. It is for informational and educational purposes only as of the date of writing, and may not be appropriate for other purposes. The views and opinions expressed may change at any time based on market or other conditions and may not come to pass. This material is not intended to be relied upon as investment advice or recommendations, does not constitute a solicitation to buy or sell securities and should not be considered specific legal, investment or tax advice. The report does not provide material information about the business and affairs of TD Bank Group and the members of TD Economics are not spokespersons for TD Bank Group with respect to its business and affairs. The information contained in this report has been drawn from sources believed to be reliable, but is not guaranteed to be accurate or complete. This report contains economic analysis and views, including about future economic and financial markets performance. These are based on certain assumptions and other factors, and are subject to inherent risks and uncertainties. The actual outcome may be materially different. The Toronto-Dominion Bank and its affiliates and related entities that comprise the TD Bank Group are not liable for any errors or omissions in the information, analysis or views contained in this report, or for any loss or damage suffered.