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TD Economics

Data Release: Existing home sales pull back in April after strong March

- Existing home sales fell 2.3% m/m to 5.57 million (annualized) in April, after reaching a slightly downwardly revised decade high of 5.70 million in the month prior. The headline print surprised to the downside as markets expected a more moderate pullback of only 1.1%.
- The decline was concentrated in the single family segment where transactions fell by 2.4% to 4.95 million. Sales in the smaller and more volatile condo/co-op segment fell by 1.6% to 620 thousand.
- Sales activity declined across most regions, rising only in the Midwest (+3.8%) while pulling back in the Northeast (-2.7%), South (-5.0%) and West (-3.3%) – the latter recording the third consecutive decline.
- The inventory of homes available for sale rose by a seasonally unadjusted 7.2% on the month but remained low at 1.93 million and was down 9% from year-ago levels. At the current sales pace, inventory accounts for just 4.2 months' worth of supply compared to 4.6 a year ago – well below the six months' of sales considered a balanced market. Properties stayed on the market for 29 days – a record low since the NAR began tracking figures in 2011 and a further sign that this is indeed a seller's market.
- The low supply of homes available for sale is pressuring up prices, with the median home price advancing by a robust 6% y/y, and only slightly weaker from last month's 6.8% gain.
- First-time homebuyers accounted for 34% of sales, up from 32% in the month prior and year-ago, while investors pulled back accounting for 21% of sales - down 2 percentage points from the previous month.

Key Implications

- After hitting a decade high in March, some pullback in existing homes sales was largely anticipated in today's report. Resale activity has been quite volatile for several months, with mortgage rates movements and dearth of inventory contributing to the fluctuations. Nonetheless, despite the monthly volatility activity has managed to retain a positive trend, underscoring the rising demand for housing.
- Low inventory levels and price growth that's outstripped income gains remain major near-term headwinds for housing market activity. Still, some retraction in mortgage rates in recent weeks should help ease affordability pressures, and coupled with some increases in inventory levels should lend some support to activity in the housing market in the near term.
- With the Fed poised to resume its gradual hiking cycle as early as June, the recent cool-off in mortgage rates is not expected to persist. But continued progress in the labor market, characterized by rising employment, participation rates, and incomes, should together drive housing demand and help resale activity retain an upward trajectory over the medium term. On the supply side, rising prices and low inventories should increasingly encourage existing homeowners to put their homes on the market and support new homebuilding – factors that together will help alleviate some of the supply pressures for the existing home market.

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