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TD Economics

Data Release: Existing home sales shine in June despite tight inventories

- After rising for three consecutive months, existing home sales increased once again, up 1.1% m/m to 5.57 million (annualized) in June. The headline surprised on the upside, with markets expecting sales to decline to 5.48 million (from 5.51 million in May). May's sales were revised down slightly, with revisions cutting 20 thousand transactions in that month.
- The pickup in activity was broad-based. Sales of single-family homes advanced by 0.8% m/m to 4.92 million, while sales in the condo/co-op segment surged by 3.2% to 650 thousand.
- Home prices growth accelerated on the month. Median prices advanced by 4.8% y/y, up from a 4.4% pace in May. Single-family homes led the way, with values increasing 5% year-over-year. Prices for condos and co-ops were 3.2% y/y higher than a year ago.
- First-time homebuyers accounted for 33% of transactions. This marked an improvement from the 30% share recorded in the previous month and a year ago, but still remains shy of historical levels.
- Inventory of houses available for sale remained low. Inventory of for-sale homes declined by 0.9% m/m in June to 2.12 million properties – a level 5.8% lower than a year ago. Relative to the current pace of home sales, the inventory of available homes for sale also edged lower to 4.6 months' of sales, with both single-family and condo/co-op inventories equally tight.

Key Implications

- Home sales defied expectations in June, increasing for the fourth consecutive month and reaching the highest level of the recovery despite continually tight inventory levels. After tallying up the monthly numbers, home sales averaged 5.50 million units in Q2 – up 3.8% from Q1 and 4.2% from a year ago levels.
- An increase in the share of first-time homebuyers was the cherry-on-top as far as today's report is concerned. We hope to see further improvement in this indicator in the months ahead as traditional buyers become increasingly active in the market. Additionally, several major banks have recently announced mortgage programs focused on first-time and low- and moderate-income borrowers, offering low down payment requirements and other borrower-friendly features. These measures should help to ease some of the challenges faced by first-time buyers.
- We expect housing activity to continue to improve this year, supported by gains in employment and wages, and ultra-low mortgage rates. The average rate on conventional 30-year mortgages is down 0.7 pp from a year ago level, and should shore up consumers' appetite for refinancing and new purchases. Refinancing activity has already surged by 27% on a 4-week moving average basis according to the MBA index. At the same time, purchases should continue to climb, but the improvement is likely to be far more gradual given the very low supply of houses available for sale.

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