



Economics Group

Mark Vitner, Senior Economist
mark.vitner@wellsfargo.com • (704) 410-3277
Charlie Dougherty, Economist
charles.dougherty@wellsfargo.com • (704) 410-6542

Existing Home Sales Rise Modestly in July

Existing home sales rose 2.5% in July to a 5.42 million-unit pace. Price appreciation continues to moderate, with the median price up 4.3% year-over-year. Demand remains strongest for homes priced at or below median.

Lower Mortgage Rates Are Giving Home Buying a (Slight) Boost

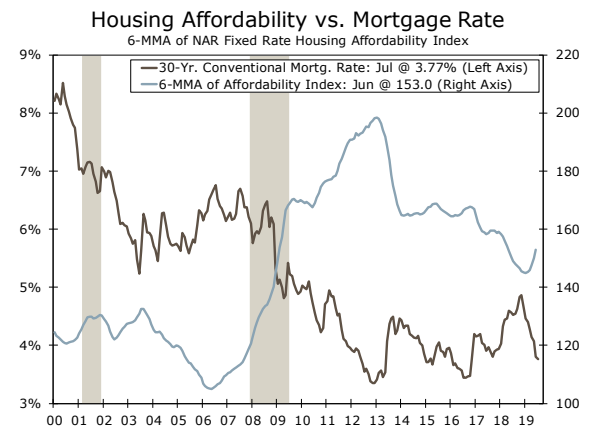
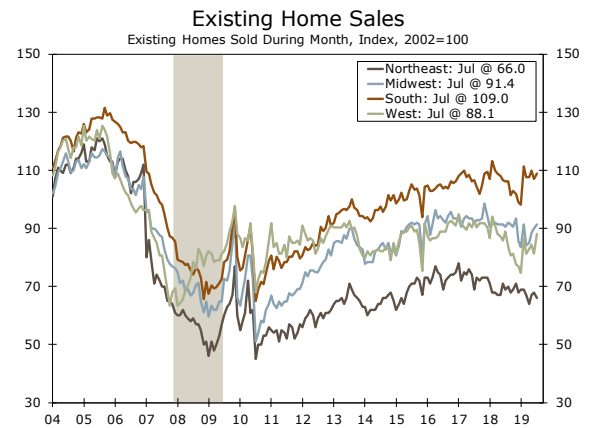
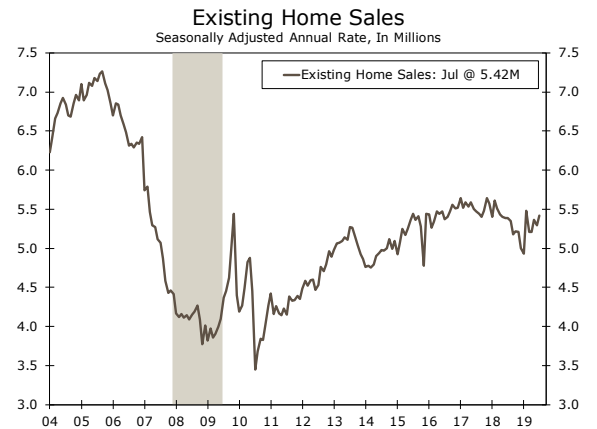
Lower mortgage rates appear to be giving home buying a slight boost, but many potential buyers are still being put off by the lack of affordable homes available for sale. Overall home sales rose 2.5% in July to a 5.42 million-unit annual pace, while sales for the prior month were revised slightly higher to a 5.29 million-unit pace. Using the non-seasonally adjusted data, existing home sales through the first seven months of 2019 are running 2.9% below the same period one year ago.

Existing home sales are running below their year-ago level in all four regions, with the biggest gap in the West, where sales are running 6.5% below their year-ago pace. The West has seen the most rapid home price appreciation in the country in recent years and is the part of the country where it is hardest to find homes priced at the median or less. By contrast, sales in the South are running just 1.0% below their year-ago pace. Sales in the Midwest are off 3.6%, with the extended run of wet weather and flooding this past spring likely keeping many potential buyers off the market. Sales in the Northeast through July are running 1.8% below their year-ago pace. Demand in the Northeast has been struggling ever since tax reform was enacted. The new tax law adds to the challenging demographics of the Northeast, which is seeing extremely modest population gains.

The median price of an existing home has risen 4.3% over the past year to \$280,800. Prices for single-family homes have risen slightly faster, climbing 4.5% to \$284,000, while prices for condos/co-ops have risen 1.9% to \$254,300. The split between single-family home prices and those of condos/co-ops likely reflects the effects of tax reform and the slowing global economy, which have cooled demand in higher priced global gateway cities favored by international buyers, such as New York City, San Francisco, Seattle and Los Angeles. Demand for lower priced condos remains fairly strong in many other areas, but sales are being held back by a lack of supply.

The lack of affordable product remains a major hurdle in the single-family market too. Total housing inventory at the end of July fell to 1.89 million homes, down 1.6% from 1.92 million units a year ago. The National Association of Realtors also noted that repeat sales data showed that home price appreciation for homes priced below the median has been much greater than for homes priced above the median, particularly in markets that have experienced strong job growth and in-migration since the last recession, such as Atlanta, Denver, Miami and Tampa-St. Petersburg.

The mortgage applications data, released earlier this morning, suggest lower mortgage rates are having a much greater impact on refinancing than on home purchases. Purchase applications fell during the latest week, despite a further drop in mortgage rates, and are up just 5.3% over the past year. Applications to refinance an existing mortgage have jumped 180%.



Wells Fargo Securities Economics Group

Jay H. Bryson, Ph.D.	Acting Chief Economist	(704) 410-3274	jay.bryson@wellsfargo.com
Mark Vitner	Senior Economist	(704) 410-3277	mark.vitner@wellsfargo.com
Sam Bullard	Senior Economist	(704) 410-3280	sam.bullard@wellsfargo.com
Nick Bennenbroek	Macro Strategist	(212) 214-5636	nicholas.bennenbroek@wellsfargo.com
Tim Quinlan	Senior Economist	(704) 410-3283	tim.quinlan@wellsfargo.com
Azhar Iqbal	Econometrician	(212) 214-2029	azhar.iqbal@wellsfargo.com
Sarah House	Senior Economist	(704) 410-3282	sarah.house@wellsfargo.com
Charlie Dougherty	Economist	(704) 410-6542	charles.dougherty@wellsfargo.com
Erik Nelson	Macro Strategist	(212) 214-5652	erik.f.nelson@wellsfargo.com
Michael Pugliese	Economist	(212) 214-5058	michael.d.pugliese@wellsfargo.com
Brendan McKenna	Macro Strategist	(212) 214-5637	brendan.mckenna@wellsfargo.com
Shannon Seery	Economic Analyst	(704) 410-1681	shannon.seery@wellsfargo.com
Matthew Honnold	Economic Analyst	(704) 410-3059	matthew.honnold@wellsfargo.com
Jen Licis	Economic Analyst	(704) 410-1309	jennifer.licis@wellsfargo.com
Hop Mathews	Economic Analyst	(704) 383-5312	hop.mathews@wellsfargo.com
Coren Burton	Administrative Assistant	(704) 410-6010	coren.burton@wellsfargo.com

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