



Economics Group

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Existing Home Sales Surge in July

The housing data finally caught up with all the positive headlines the sector has received recently. Sales of existing homes, which reflect closings, surged a record 24.7% in July to a 5.86-million unit pace.

Homebuyers Make Up for Lost Time in July

July's surge in existing home sales reflects some catch-up for sales lost during the spring selling season, when the economy was largely shut down, as well as a shift in preferences away from long-term renting toward homeownership. Sales are not likely to rise another 25% next month but will remain strong as long as employment conditions for middle- and upper-income households continue to improve. Recent research from Opportunity Insights' Economic Tracker shows employment among persons earning \$60,000 or more a year fell less during the recession and recovered more quickly than for the economy as whole. Employment among workers in this income cohort is now just 0.5% below its pre-pandemic level. Moreover, a larger proportion of workers in this income cohort are able to work remotely and many of them are looking for homes that will better accommodate remote working and provide a better environment to ride out the pandemic.

The improvement in employment conditions, rise in remote working and record low mortgage rates has triggered a massive resurgence in home buying. Sales in the Northeast, which saw job growth finally pick back up in July, jumped 30.6% to a 640,000-unit pace. Sales also jumped 30.5% in the West and rose 27.5% in the Midwest.

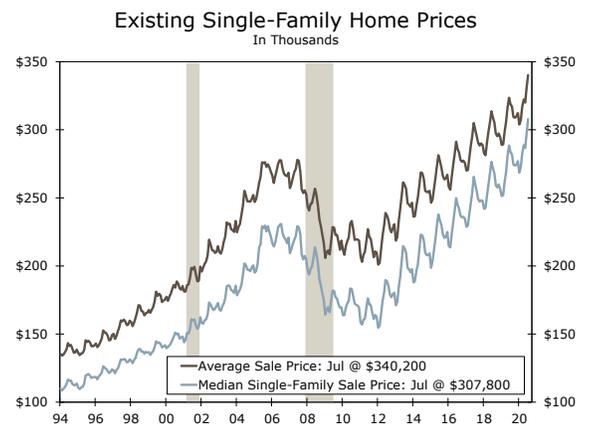
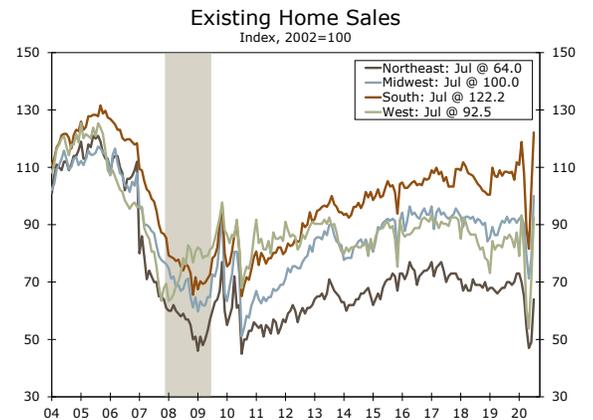
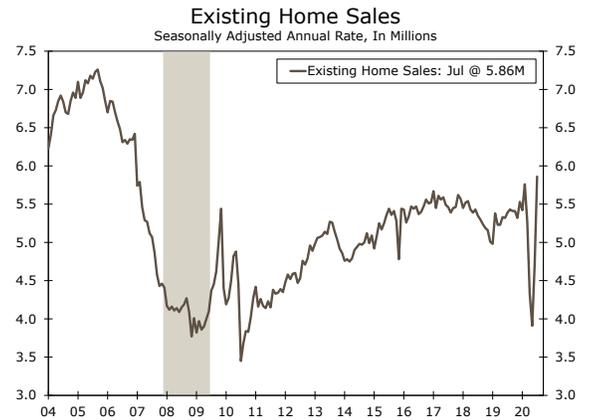
Improving economic conditions have clearly helped boost sales of condos and co-ops. Sales had plunged 43% from February through May to a modern era low of just 340,000 units. Sales bounced back 29.4% in June and a further 31.8% in July and are now running close to their February pace.

The resurgence in single-family home buying has attracted the most attention. In-person showings were largely forbidden in March and April, which caused sales to continue falling in May. Sales of single-family homes rebounded 19.3% in June and rose an additional 23.9% in July to a 5.28 million unit pace, which is slightly ahead of the pace seen in February.

Homes are selling relatively quickly. The National Association of Realtors reported that homes typically remained on the market for just 22 days in July, down from 24 days in June and 29 days last July. Moreover, 68% of all homes sold in July were on the market for less than a month.

The only downside to the resurgence in home sales is inventories have dwindled even further. Housing inventory at the end of July totaled just 1.50 million homes, down 2.6% from June and down 21.1% from a year ago. The inventory of unsold homes translates into just a 3.1-month supply at July's sales pace. Sales are not likely to remain that high, however, as part of July's surge includes the catchup of sales lost during the lockdown this past spring.

With demand strengthening and inventories tight, home prices are being pulled higher. The median price of an existing home has risen 8.5% over the past year to \$304,100. July marks the first time median home prices topped \$300,000. While that rise is good news for homeowners, it will make homeownership even harder for middle- and lower-income households, many of which have struggled more to recover from the pandemic and recession.



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