

Residential Real Estate Analysis

Existing home sales advance healthily in March

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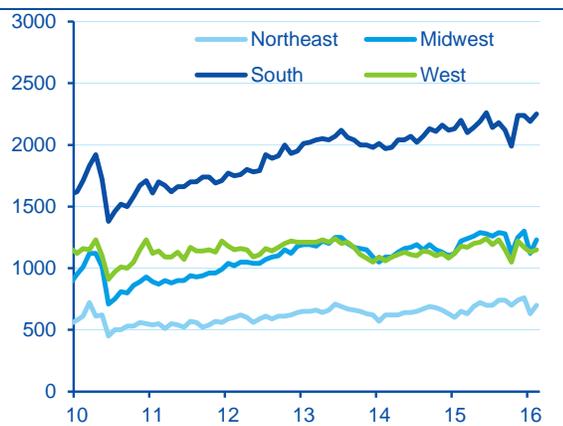
- Existing home sales increased 5.1% MoM in March to 5.33M (SAAR) - 1.5% higher YoY
- Single-family home sales increased faster than condominium and co-op sales
- Existing home sales are expected to continue growing and average around 5.45M in 2016

Existing home sales in March increased to 5.33M SAAR, up 5.1% MoM after a 7.3% MoM decline in February, according to the National Association of Realtors (NAR). The March showing was above consensus expectations, which stood at 5.27M. Existing home sales in March were 1.5% higher YoY. According to NAR, "buyer demand remains sturdy in most areas this spring and the mid-priced market is doing quite well. However, sales are softer both at the very low and very high ends of the market because of supply limitations and affordability pressures." Sales increased in all regions (Chart 1): 11.1% MoM in the Northeast, 9.8% in the Midwest, 2.7% in the South and 1.8% in the West. That said, due to the generally large declines in February, the only region in which March sales were higher than January sales was the South. The slow growth in sales in the West likely reflects reservation among buyers due to elevated prices and tight inventories in the region.

Single-family home sales were 2.6% higher YoY, while condominium and co-op sales were 6.6% lower (Chart 2). Single-family home sales have generally grown faster than condo/co-op sales since mid-2014. This has been reflected in the faster price increase for single-family homes. The median existing single-family home price was \$224,300 in March, up 5.8% YoY, while the median existing condo price was \$209,600, up 4.6%. The improving performance of single-family homes is a result of the trend of homebuyers starting to move farther away from the urban core in most metro areas, where home prices have risen in recent years. It could also reflect the aging of Millennials, some of which are entering a stage in life when family considerations require more space.

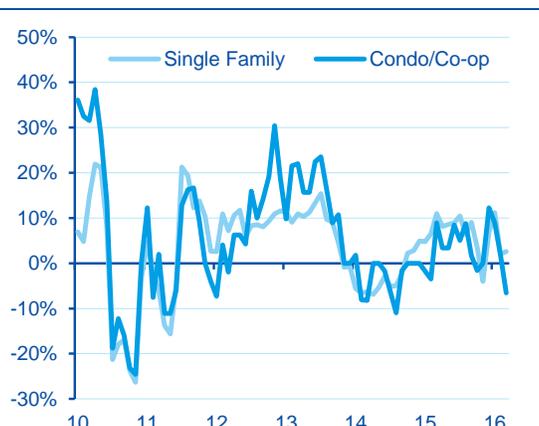
Despite the increase in sales compared to February, the months' supply in March increased from 4.4 to 4.5, reflecting an increase in listings, which, if continues, should boost sales going forward, as well as help moderate price increases. That said, months' supply of existing homes is lower than in March 2015, when it stood at 4.6, and still reflects an unbalanced market between buyers and sellers – 6 months' supply is generally considered to represent a balanced market. We anticipate existing home sales to average around 5.45M in 2016, 3.7% higher than in 2015.

Chart 1
Existing Home Sales
Thousands



Source: Census Bureau & BBVA Research

Chart 2
Single-family and Condo/Co-op Sales
% YoY



Source: Census Bureau & BBVA Research

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