

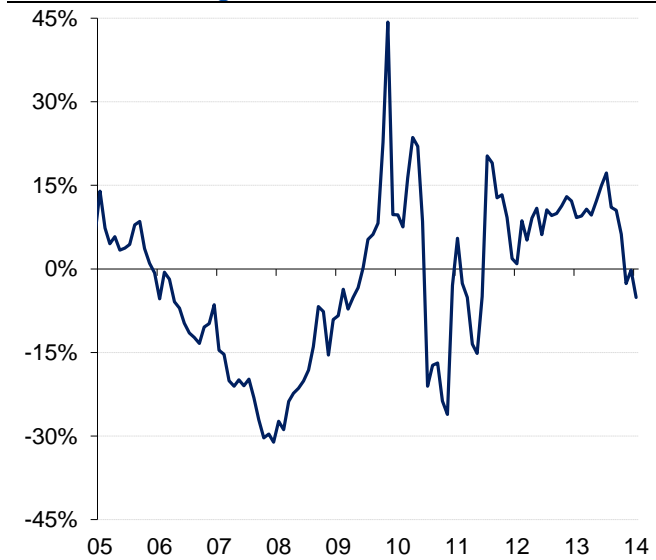
U.S. Housing Flash

Existing Home Sales Descend in January

- Existing home sales declined in January for the fifth time in sixth months
- The median sales price plummeted 4.5% MoM, but is still up 10.7% YoY
- Big picture, declining affordability is the root cause behind slowing demand

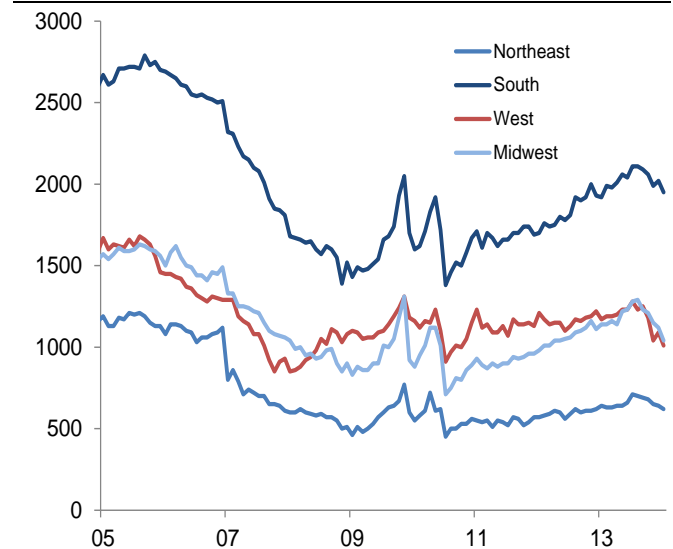
Existing home sales decreased 5.1% MoM in January, falling to 4.62 million on a seasonally-adjusted annualized basis – the lowest level since July 2012. On a YoY basis, existing home sales fell 5.1%, the third straight month of decline after positive YoY increases dating back to 2011. As has been the story for the past month, cold weather likely discouraged housing activity and played a role in dampening the overall home sales figure. However, existing home sales were already beginning to show signs of deceleration last year. After reaching a yearly-peak of 5.38 million in July 2013, sales began steadily trending downward. This leads us to believe that the decline has more to do with the increase in both prices and mortgage rates over the same period of time rather than then the cold winter weather and provides us with insight on the sensitivity of potential homebuyers with regards to home affordability. Although the median cost of a new home dropped 4.5% in January, median home prices are still up a healthy 10.7% from a year ago. The increased cost of an existing home, combined with the fact that the standard 30-year mortgage rate increased to about 4.43% in January from 3.41% a year ago, the reason for a slowdown in demand certainly appears to be a result of fundamental supply and demand and not solely seasonal factors. Looking forward, the drop in median home sales prices may encourage consumers to make a home purchase, so assuming mortgage rates would remain relatively unchanged, we expect a bump in future demand.

Graph 1
**Existing Home Sales
SAAR YoY% Change**



Source: US Census Bureau & BBVA Research

Graph 2
**Existing Home Sales by Region
Thousands**



Source: Bureau of Economic Analysis & BBVA Research

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