

U.S. Housing Flash

Existing Home Sales Uptick Slightly in April

- Existing home sales break downward streak and rise 1.3% in April
- Recent downward trend in mortgage rates is helping spur more sales
- Home sales should pick-up during summer months as economy gains traction

Existing home sales rose 1.3% MoM in April, jumping to 4.65 million on a seasonally-adjusted annualized basis. However, sales are down 6.8% on a YoY basis. Now that weather has improved nationwide and sales are still sluggish, it has become apparent that elevated mortgage rates continue to exert substantial downward pressure on home sales. 30-year mortgage rates have risen from 3.6% in May 2013 to 4.3% in April, while the pace of sales was down 9.7% over the same time period. Additionally, median sales prices advanced for the third consecutive month, jumping 7.3% since January, further hurting affordability and driving some potential homebuyers out of the market. On a brighter note, despite the pickup in existing home sales, the supply for existing home sales jumped from 5.1 to 5.9 months, which should point to a bump in future sales as more houses are made available in the market.

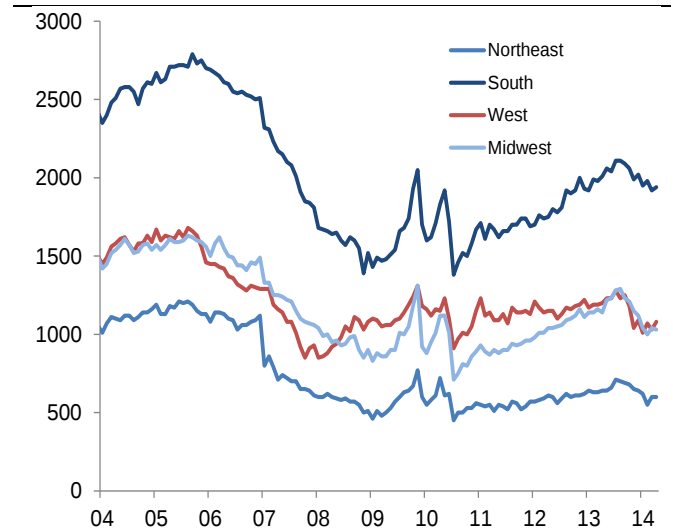
After falling for seven of the previous eight months, the slight uptick in existing home sales is certainly welcome. Despite the pickup in consumer demand over the past year, the sales rate is still significantly below the 2013 rate, a sign that consumers are sensitive to mortgage rate movements and overall affordability. However, the conforming 30-year mortgage rate has steadily begun to decline, falling below 4.2% today. Additionally, summer months have been traditionally positive for the housing market. Furthermore, the labor market continues to show stark improvement, and as workers become more confident in the security of their jobs, they will be more willing to purchase a home. Thus, looking ahead, we remain cautiously optimistic about the housing sector and believe the market will regain strength in the coming months.

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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