

# Existing Sales Rise, Prices Peak, Time-to-Sell at New Low

By: Jann Swanson | Wed, Jun 21 2017, 10:22 AM

Existing home sales weren't expected to strengthen in May, in fact analysts were looking for a slight decline. Sales however did manage to **recover** from a significant April loss while inventories increased slightly and the median sales price rose to a new high.

The National Association of Realtors® (NAR) said completed sales of existing single-family houses, townhouses, condos, and cooperative apartments rose 1.1 percent to a seasonally adjusted annual rate of 5.62 million. This was a 2.7 percent year-over-year gain.

April's sales had **tumbled by 2.3 percent** compared to the previous month. Those sales were revised lower still, from the original rate of 5.570 million to 5.560 million.

Analysts polled by *Econoday* had expected sales to be in the annual range of 5.450 million to 5.650 million. The consensus was in the exact middle at 5.550 million.

**Single-family home sales** rose 1.0 percent to a seasonally adjusted annual rate of 4.98 million from 4.93 million in April, and were 2.7 percent above the 4.85 million pace a year earlier. Condo and co-op sales posted a 1.6 percent increase from April to an annual rate of 640,000 units, up 3.2 percent on an annual basis.

Lawrence Yun, NAR chief economist, commented on the **positive May numbers**, saying that buyers were able to overcome increasingly challenging market conditions in many areas. "The job market in most of the country is healthy and the recent downward trend in mortgage rates continues to keep buyer interest at a robust level," he said. "Those able to close on a home last month are probably feeling both happy and relieved. Listings in the affordable price range are scarce, homes are coming off the market at an extremely fast pace and the prevalence of multiple offers in some markets are pushing prices higher."

The median existing-home price in May was **\$252,800, a new peak**, and a 5.8 percent gain from last May's median of \$238,900. It was the 63<sup>rd</sup> straight month of annual increases. The median existing single-family home price was 6.0 percent higher than a year earlier at \$254,600 while the median condo price increased 4.8 percent to \$238,700.

"Home prices keep chugging along at a pace that is not sustainable in the long run," added Yun. "Current demand levels indicate sales should be stronger, but it's clear some would-be buyers are having to delay or postpone their home search because low supply is leading to worsening affordability conditions."

There was a **slight improvement in the listings** inventory with 1.96 million homes available for sale. This is an increase of 2.1 percent from April, but is still 8.4 percent lower than a year ago, the 24<sup>th</sup> month the inventory has shrunk on an annual basis. The inventory is estimated at a 4.2-month supply at the current pace of sales, down from 4.7 months in May 2016.

The **tight supply** led to the shortest marketing timeframe in the six years NAR has tracked that data. Properties typically stayed on the market for 27 days in May, down from 29 days in April and 32 days a year ago. Short sales were on the market the longest at a median of 94 days in May, while foreclosures sold in 48 days and non-distressed homes took 27 days. Fifty-five percent of homes sold in May were on the market for less than a month, a new high.

NAR said several markets had even a short sales period with homes in the Seattle-Tacoma-Bellevue metro taking a median of **20 days to sell**, and the San Francisco and San Jose Markets 24 and 25 days respectively. "With new and existing supply failing to catch up with demand, several markets this summer will continue to see homes going under contract at this remarkably fast pace of under a month," said Yun.

The percentage of **first-time buyers is not improving**. They accounted for a 33 percent share of sales in May, 1 percentage point lower than in April. NAR said the average share for all of 2016 was 35 percent. Individual investors purchased 16 percent of homes sold during the month and 64 percent of them paid cash. Twenty-two percent of transactions were all cash in May.

**Foreclosures** accounted for 4 percent of May sales and 1 percent were short sales. The total of distressed sales was down 1 percentage point from May 2016 and unchanged from April. Foreclosures sold for an average discount of 20 percent below market value in May (18 percent in April), while short sales were discounted 16 percent (12 percent in April).

Existing-home sales in the **Northeast** jumped 6.8 percent to an annual rate of 780,000, and are now 2.6 percent higher than a year ago. The median price in the Northeast was \$281,300, a 4.7 percent annual increase.

Sales dropped 5.9 percent in the **Midwest**, to an annual rate of 1.28 million, a sales pace 0.8 percent lower than a year ago. The median price in the Midwest was \$203,900, up 7.3 percent from the previous May.

There was a month-over-month increase of 2.2 percent in the **South's** existing home sales, to an annual rate of 2.34 million, a 4.5 percent annual gain. The median price rose 5.3 percent to \$221,900.

The **West** saw sales rise 3.4 percent from both April and the previous May to an annual rate of 1.22 million. The median price was \$368,800, up 6.9 percent year-over-year.

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