

Existing Sales hit 10-Year Low, But Low Rates are a Silver Lining

By: Jann Swanson | Thu, May 21 2020, 11:57 AM

Existing home sales fell hard in April, the numbers coming in about where analysts expected them but breaking a nine-month string of annual gains. The National Association of Realtors® said total sales of single-family homes, townhouses, condos, and cooperative were at a seasonally adjusted annual rate of 4.33 million, down from the 5.27 million sold in March, a 17.8 percent decline. It was the lowest level of sales since July 2010 (3.45 million) **and the largest month-over-month drop since July 2010** (-22.5 percent). The loss, which NAR said was due to the coronavirus pandemic, brings the aggregate decline over the last two months to 26.3 percent. Sales are now down 17.2 percent from the 5.23 million rate in April 2019.

The rate of sales almost matched the 4.325 million-unit consensus estimate from analysts polled by *Econoday*. Their predictions had covered a range from 4.20 to 4.92 million.

"The economic lockdowns - occurring from mid-March through April in most states - have temporarily disrupted home sales," said Lawrence Yun, NAR's chief economist. "But the listings that are on the market are **still attracting buyers and boosting home prices.**"

Existing single-family homes sold at a seasonally adjusted annual rate of 3.94 million in April, down 16.9 percent from 4.74 million in March, and 15.5 percent lower than a year ago. Existing condominium and co-op sales were recorded at a seasonally adjusted annual rate of 390,000 units in April, declines of 26.4 percent from March and 31.6 percent from a year ago.

"There appears to be a shift in preference for single-family homes over condominium dwellings," Yun said. "This trend could be long-lasting as remote work and larger housing needs will become widely prevalent even after we emerge from this pandemic."

The median existing-home **price for all housing types in April was \$286,800, up 7.4 percent from April 2019** (\$267,000) and prices increased in every region. April's national price increase marks 98 straight months of year-over-year gains. The median existing single-family home price was \$288,700, and the median condo price was \$267,200, annual increases of 7.3 and 7.1 percent respectively.

"Record-low mortgage rates are **likely to remain in place for the rest of the year and will be the key factor driving housing demand** as state economies steadily reopen," Yun said. "Still, more listings and increased home construction will be needed to tame price growth."

Even as sales slowed, inventory continued to shrink. Available houses at the end of April totaled 1.47 million, down 1.3 percent from March, and almost 20 percent lower than one year ago (1.83 million). Unsold inventory sits at a 4.1-month supply at the current sales pace, up from 3.4-months in March and down from the 4.2-month figure recorded in April 2019.

Fifty-six percent of homes sold in last month were on the market for less than a month.

First-time buyers were responsible for 36 percent of sales in April compared to 34 percent in March 2020 and 32 percent a year earlier. Ten percent of sales were to individual investors or second-home buyers and 15 percent were all cash, both several percentage points lower than in March. Distressed sales - foreclosures and short sales - were at 3 percent.

As was the case in March as well, April sales decreased in every region from the previous month's levels while median prices continued to rise. The Northeast and Midwest regions showed the strongest price gains.

Sales in the **Northeast** fell 16.9 percent, recording an annual rate of 540,000, an 18.2 percent decrease from a year ago. The median price was \$312,500, up 8.7 percent from April 2019.

There was a 12.0 percent drop in **Midwest** sales to an annual rate of 1.10 million, an 8.3 percent annual decline. The median price in the Midwest gained 9.3 percent to \$229,200.

Existing-home sales in the **South** were down 17.9 percent to an annual rate of 1.88 million and 16.8 percent lower than the same time last year. The median price was 249,400, up 6.4 percent.

Sales in the **West** fell 25.0 percent to an annual rate of 810,000 and decreased 27.0 percent year-over-year. The median price in the West was \$419,300, up 6.1 percent from April 2019.

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