

Existing Sales Beat Estimates, Inventory Shrinks Again

By: Jann Swanson | Fri, Feb 18 2022, 11:09 AM

While last year was an excellent one for existing home sales, they did peter out at the end, falling 4.6 percent in December. The January numbers, released on Friday by the National Association of Realtors® (NAR) surprised analysts by snapping back, recovering from the December loss and then some.

Sales of **previously owned** single-family houses, town houses, condominiums, and cooperative apartments **rose 6.7 percent** to a seasonally adjusted annual rate of 6.5 million units. December sales were at 6.18 million. The increase wasn't quite enough to overcome a year-over-year deficit, leaving sales 2.3 percent below those in January 2021.

Single-family sales closely mirrored the overall numbers, rising 6.5 percent to a seasonally adjusted rate of 5.41 million, but remaining down 2.4 percent from the previous January. Existing condominium and co-op sales rose 8.8 percent to 740,000 units, 1.3 percent below the rate a year earlier.

Analysts had expected a slight decline in sales for the month. Those polled by *Econoday* and *Trading Economics* had a consensus estimate of 6.1 million annualized sales.

"Buyers were likely anticipating further rate increases and locking-in at the low rates, and investors added to overall demand with all-cash offers," said Lawrence Yun, NAR's chief economist. "Consequently, housing prices continue to move solidly higher."

Both the number of homes available for sale and the estimated timeframe for absorbing them hit all-time lows in January. There were only 860,000 homes listed for sale, a **2.3 percent decline** from December and 16.5 percent fewer than a year ago. This is estimated to be a 1.6-month supply at the current sales pace, down from 1.7 and 1.9 months in the two earlier periods.

Yun called the inventory "**woefully depleted**," and said homes priced at \$500,000 and below are disappearing, while supply has risen at the higher price range. He noted that such increases will continue to shift the mix of buyers toward high-income consumers. The increase in listing in the higher price tiers compared to a year ago, he said, should lead to less hurried decisions by some buyers. He added, "Clearly, more supply is needed at the lower-end of the market in order to achieve more equitable distribution of housing wealth."

Properties typically remained on the market for **19 days** in January, equal to the days on market in December, and down from 21 days the prior January. Seventy-nine percent of homes sold in January 2022 were on the market for less than a month.

The median existing-home **price** for all housing types in January was \$350,300, **up 15.4 percent** from the January 2021 median of \$303,600. This marks 119 consecutive months of year-over-year increases, the longest-running streak on record. The median existing single-family home price was \$357,100, an annual appreciation of 15.9 percent. Condo prices gained 10.8 percent over the year to a median of \$297,800.

First-time buyers were accounted for 27 percent of January sales, down from 30 percent in December and 33 percent in January 2021. Individual investors or second-home buyers, who make up many cash sales, purchased 22 percent of homes in January, compared to 17 percent in December and 15 percent a year earlier. All-cash sales rose to 27 percent of transactions from 23 percent and 19 percent in the earlier periods. Foreclosures and short sales continued to be negligible, accounting for less than 1 percent of transactions.

Yun said the expected increase in **mortgage rates** will be problematic for at least two market segments. "First, some moderate-income buyers who barely qualified for a mortgage when **interest rates** were lower will now be unable to afford a mortgage," he said. "Second, consumers in expensive markets, such as California and the New York City metro area, will feel the sting of nearly an additional \$500 to \$1000 in monthly payments due to rising rates."

"The market is still thriving as an abundance of home sales took place in January," said NAR President Leslie Rouda Smith. "We will continue to beat the drum for more inventory, which will give buyers additional options and will also help alleviate increasing costs."

Existing-home sales in the Northeast were up 6.8 percent compared to December, to an annual rate of 780,000 units. This was 8.2 below January 2021 sales. The median price in the region rose 6.0 percent on an annual basis to \$382,800.

The Midwest's sales gained 4.1 percent month-over-month and the 1,510,000 annual rate was essentially unchanged from the previous January. The median price was \$245,900, a 7.8 percent increase.

There was 4.1 percent growth in the West's sales for the month. However, the annual rate of 1,270,000 was 6.6 percent below the level the previous January. The median price in the West appreciated 8.8 percent to \$505,800.

Sales in the South jumped 9.3 percent to an annual rate of 2,940,000 units, up 0.3 percent from one year ago. The median price in the South was \$312,400, an 18.7 percent annual surge. It was the fifth straight month that the region led in price gains. "The migration to the Southern states is clearly getting reflected in higher home sales and fast rising home prices compared to other regions," Yun noted.

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