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## April Existing Home Sales: Good Grief, Here We Go Again . . .

- Existing home sales fell to an annualized rate of 5.190 million units in April from March's sales rate of 5.210 million units
- Months supply of inventory stands at 4.2 months; the median existing home sale price rose by 3.6 percent on a year-over-year basis

Existing home sales fell to an annualized rate of 5.190 million units in April, easily below the consensus forecast of 5.350 million units. April existing home sales were weaker than we expected, and at the same time April existing home sales were stronger than we expected, depending on what data you wish to look at. Sure, the headline sales number was well below our above-consensus forecast of 5.380 million units. But, as our regular readers know, we have no use for the "headline" sales number, which is reported on a seasonally adjusted and annualized basis. As we routinely note, when it comes to the data on housing permits, housing starts, and home sales, the raw, i.e., neither seasonally adjusted nor annualized, data are the only numbers we care about. In April, there were 455,000 existing home sales, which topped our forecast of 449,000 sales. Moreover, not seasonally adjusted sales were up by 13.75 percent in April, stronger than the typical April increase (10.65 percent over the 1999 through 2018 period) and the largest April increase since 2014. That unadjusted sales topped our forecast while the headline sales number fell far short of our forecast simply reflects the seasonal adjustment factor being smaller than we expected, which in the grand scheme of things is totally irrelevant. The worst part of the data on April existing home sales isn't that we missed our forecast of the headline sales number, it's listening to the "analysis" of the data on April existing home sales – a "disappointingly soft" number which shows low mortgage interest rates "are not doing anything for the housing market." You know, the usual knee jerk reactions by the usual suspects who either don't know there is actually such a thing as not seasonally adjusted data or who simply can't be troubled to look at the not seasonally adjusted data. Whatever.

Not seasonally adjusted sales of 99,000 units in the West region matched our forecast, but sales in the other three broad regions were a bit better than our forecast anticipated. Our middle chart illustrates our earlier point that this April's 13.75 percent increase in sales is stronger than typical for the month of April over the life of the data. Still, even with a solid increase in sales in April, the running 12-month total of not seasonally adjusted sales, which we see as the best gauge of the underlying sales rate, slipped to 5.268 million units, as unadjusted sales were down a bit from the 460,000 sales last April. Our contention has been, and remains, that the biggest culprit behind the sagging trend sales rate is how weak sales were in November and December of 2018 and January 2019, which reflected a jump in mortgage interest rates that, in conjunction with what had been a prolonged period of robust price appreciation, significantly impaired affordability at a time when, oh by the way, a sharp decline in equity prices put a dent in consumer confidence. But, as mortgage interest rates fell sharply in early 2019 and remain low, there has been a clear response in demand. This is not only apparent in applications for purchase mortgage loans, it is also apparent in the not seasonally adjusted sales data. The unadjusted data show larger percentage increases in sales in February, March, and now April than typical for these months, so it is nonsensical for anyone to argue that lower mortgage rates are having no impact on the housing market. But, that sales fell so sharply over that three-month period we noted above will weigh on the running 12-month total of sales for some time to come.

April's increase in inventories (not seasonally adjusted) was also stronger than typical for the month. Listings jumped to 1.830 million units, thrashing our forecast of 1.790 million units, and the 9.58 percent increase in listings from March tops the average April increase of 8.17 percent. While a months supply metric of 4.2 months shows the market remains undersupplied, the solid increase in listings in April is an encouraging sign for the key Spring sales season. Our forecast anticipates that 2019 will end a run of four straight years in which the seasonal top in inventories was below that of the prior year.

Favorable mortgage interest rates, at least some relief on the supply front, and a more restrained pace of price appreciation leave us comfortable with our forecast that existing home sales will push higher over coming months. Even if you have to look at the raw data, hiding as they are in plain sight, to see that.

