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December Existing Home Sales: Realtors Say "Don't TRID On Me"

- Existing home sales rose to an annualized rate of 5.460 million units in December from November's sales rate of 4.760 million units.
- Months supply of inventory stands at 3.9 months; the median existing home sale price rose by 7.6 percent on a year-over-year basis.

There had been talk NAR Chief Economist Lawrence Yun would deliver the December existing home sales data decked out in a t-shirt with "Don't TRID On Me" boldly printed across the front. Turned out he did not do so but, then again, he need not to have as the December numbers speak for themselves. Existing home sales jumped to an annualized rate of 5.460 million units in December, and the 14.7 percent month-to-month increase is the largest on record. December's sales rate easily topped the consensus estimate of 5.200 million units and was higher than our forecast of 5.410 million units. Still, we're no more excited about December's jump in sales than we were distressed by the sharp decline in sales in November, which is to say not at all. The December and November figures must be taken as a tandem, as the new TRID rules on mortgage disclosures were behind the drop in sales in November. Recall existing home sales are booked at closing, so the new disclosure rules delayed many closings that would have taken place in November but instead were pushed back to December. When we offered this explanation last month in our write-up of the November sales data, we of course got more than one angry response calling us out for just not getting, or just not being willing to admit, the pending economic and financial collapse. Okay, sure, whatever.

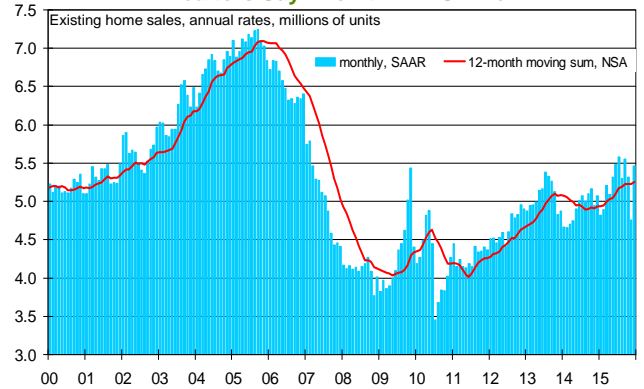
Our focus, whether the monthly headlines are good or bad, is always on the underlying trends. So, filtering out the noise in the November and December data, what we see is for 2015 as a whole there were 5.256 million existing homes sold, which is a 6.5 percent increase from the 4.935 million sales in 2014. One of the underlying trends we have been pointing to for quite some time is, with distress sales fading from the mix, the gains in non-distress sales have been even heftier than the gains in headline sales, which we have taken as a sign of the improving health of the market. In December, distress sales accounted for eight percent of total sales, still above normal but down sharply from the peak and down from December 2014, when distress accounted for eleven percent of total existing home sales. So, while total sales were up 7.7 percent year-on-year in December 2015, our back-of-the-envelope calculation puts non-distress sales up 11.3 percent year-on-year.

Still, lean inventories of existing homes for sale are cause for concern and could pose a threat to the spring selling season. Months supply fell to 3.9 months in December, which harkens back to the frenzied days of 2004-05, which is the last time months supply was so low. That figure, of course, is in part a function of the top-line sales number and we put far more emphasis on the actual number of listings. In December, listings fell to 1.790 million units, the lowest reading since January 2013. The NAR's inventory data are not seasonally adjusted and while inventories typically fall in the month of December, the decline last month is larger than typical for the month, and at year-end 2015 inventories were 3.8 percent lower than at year-end 2014. Inventories have now declined year-on-year for seven consecutive months. In addition to acting as a drag on sales, lean inventories are also fueling more rapid price appreciation, and the median existing home sales price was up 7.6 percent year-on-year in December. As we've noted before, the median price metric is sensitive to the mix of homes sold and we prefer the repeat price indexes as a better gauge of appreciation, but, these too show accelerating price appreciation over the latter stages of 2015. True, still-low mortgage rates have helped cushion the blow, but there is a limit to the extent this can remain the case.

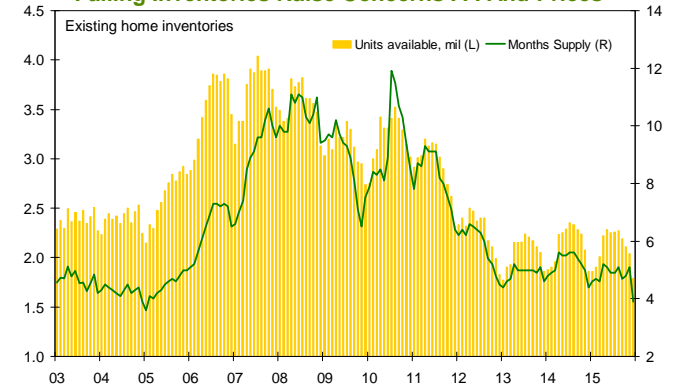
Despite what we see as steadily improving demand side fundamentals, we see lean inventories as remaining a drag on existing home sales over coming months. In theory, rising prices would draw out more listings. This theory will be put to the test in the 2016 spring selling season, which will be telling in this regard, so stay tuned.



Realtors Say "Don't TRID On Me"



Falling Inventories Raise Concerns . . . And Prices



South Still Driving Overall Growth In Sales

