



ECONOMIC PERSPECTIVES

EXISTING HOME SALES IN FHLBNY AREA HELD UP BETTER THAN THE NATION, REGION IN 2018

Authored by Brian Jones, FHLBNY Financial Economist

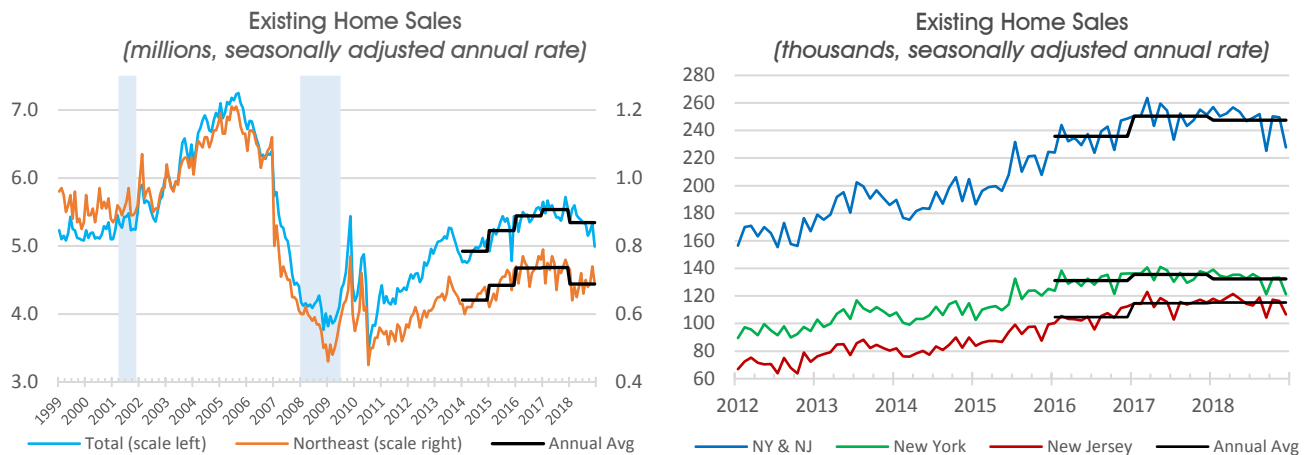
HIGHLIGHTS:

- » Existing home sales fell across the country in 2018, but activity in the FHLBNY area was little changed
- » Local sales performance even more impressive given downtrend in available stock of homes
- » Price increases, reduced affordability had a limited effect on sales in New York and New Jersey
- » Amidst limited supply, rising prices and reduced affordability, FHLBNY district remains a seller's market
- » Outlook for sales in the Empire and Garden States appears positive beginning the New Year

EXISTING HOME SALES FELL ACROSS THE COUNTRY IN 2018, BUT ACTIVITY IN THE FHLBNY AREA WAS LITTLE CHANGED

Capping a thoroughly lackluster year, closings on existing dwellings countrywide tumbled by 6.3% to a three-year low seasonally adjusted annual rate of 4.99 million homes in December. Over the course of 2018, 5.34 million homes were sold nationally, 3.5% fewer than the 5.54 million purchased in the prior year. The weakening in resale activity in the Northeast was far more severe, with contract signings declining by almost double that amount – off by 6.6% to 688,000 – ending a string of annual increases going back to 2015 (see Exhibit 1, left). Data compiled by realtor associations in New York and New Jersey, however, indicate that the majority of the FHLBNY coverage area outperformed both the region and the nation as a whole. Indeed, an estimated 247,600 dwelling changed hands in the Empire and Garden States in 2018, just 1.1% fewer than the 250,400 closed on in 2017. The reported pullback was entirely attributable to a 2.4% decline in New York during the reference period, where resales dipped by 2.4% to 132,400. By contrast, sales of single-family homes, townhouses and adult community residences in New Jersey edged 0.3% higher to 115,200 – the highest level in over seven years. Extrapolating from month-to-month gyrations, existing home sales across the two states have been remarkably stable over the past three years (see Exhibit 1, right).

Exhibit 1

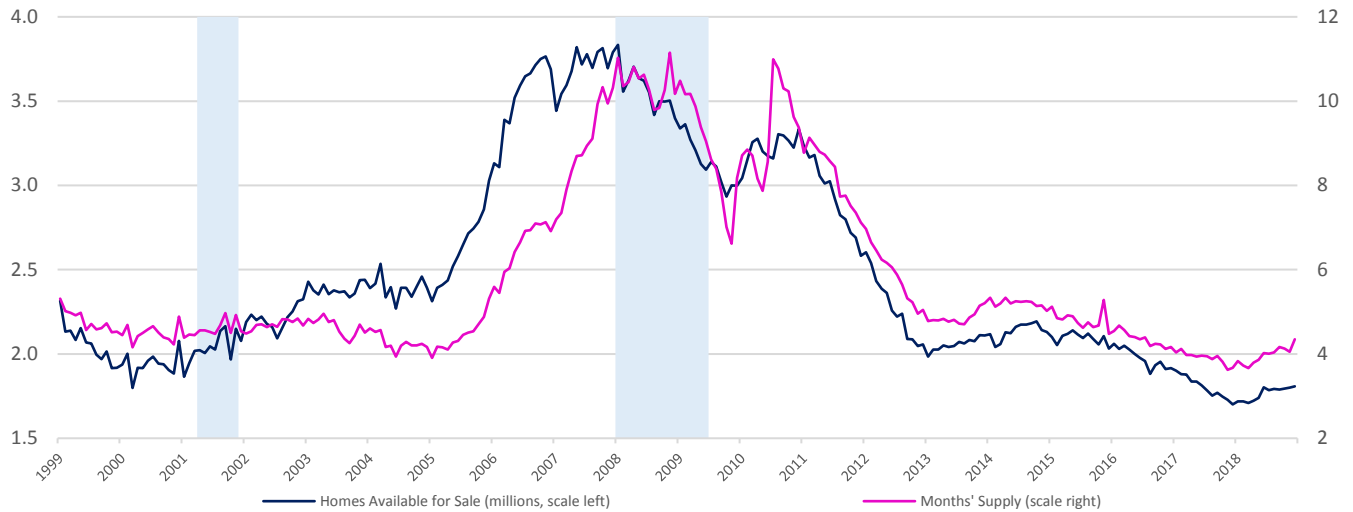


Note: Shaded areas denote recessions. Sources: National Association of Realtors, New York State Association of Realtors, NJ Realtors and FHLBNY estimates.

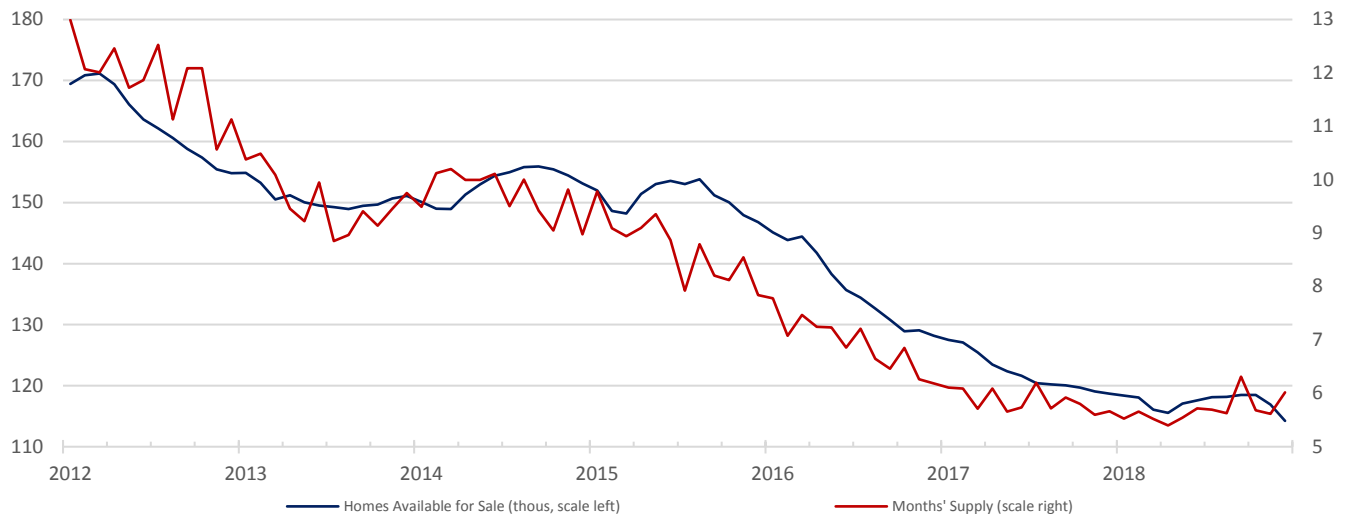
LOCAL SALES PERFORMANCE EVEN MORE IMPRESSIVE GIVEN DOWNTREND IN AVAILABLE STOCK OF HOMES

Throughout last year, realtors cited a variety of factors as constraints on existing home sales: a limited number of homes on the market, high selling prices, reduced affordability, rising mortgage interest rates, little new construction and potentially limitations of the deductibility of state and local property taxes. The number of homes available for sale nationwide dropped to a record low 1.7 million dwellings at the end of 2017 and has since climbed by 6.3% to 1.81 million in December. At last month’s sales pace, that tally represented 4.3 months’ supply (see Exhibit 2, left). The same has not been true over the majority of the FHLBNY district. Indeed, after expanding by 2.6% to 118,500 from May through September of last year, local inventory has reversed course, falling by 3.6% to an expansion-low 114,200 (see Exhibit 2, right). The reported increase in months’ supply in New York and New Jersey – to a three-month high of 6.0 in December – was entirely attributable to an end-of-year falloff in closing activity.

Exhibit 2
National Housing Inventory
(seasonally adjusted)



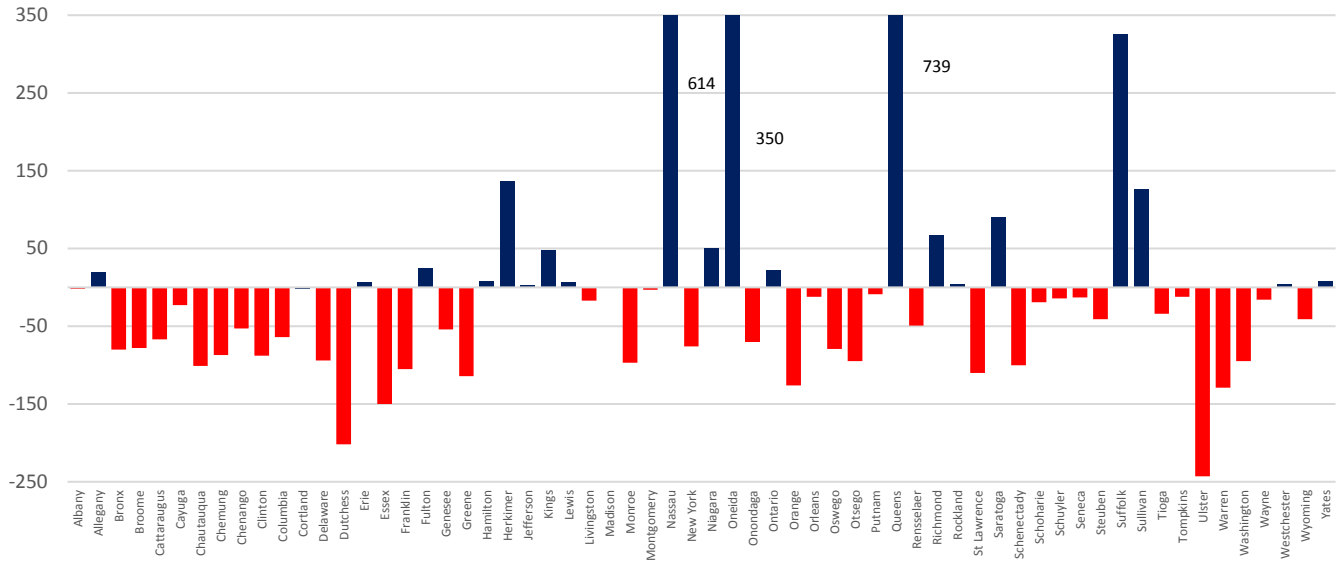
New York and New Jersey Housing Inventory
(seasonally adjusted)



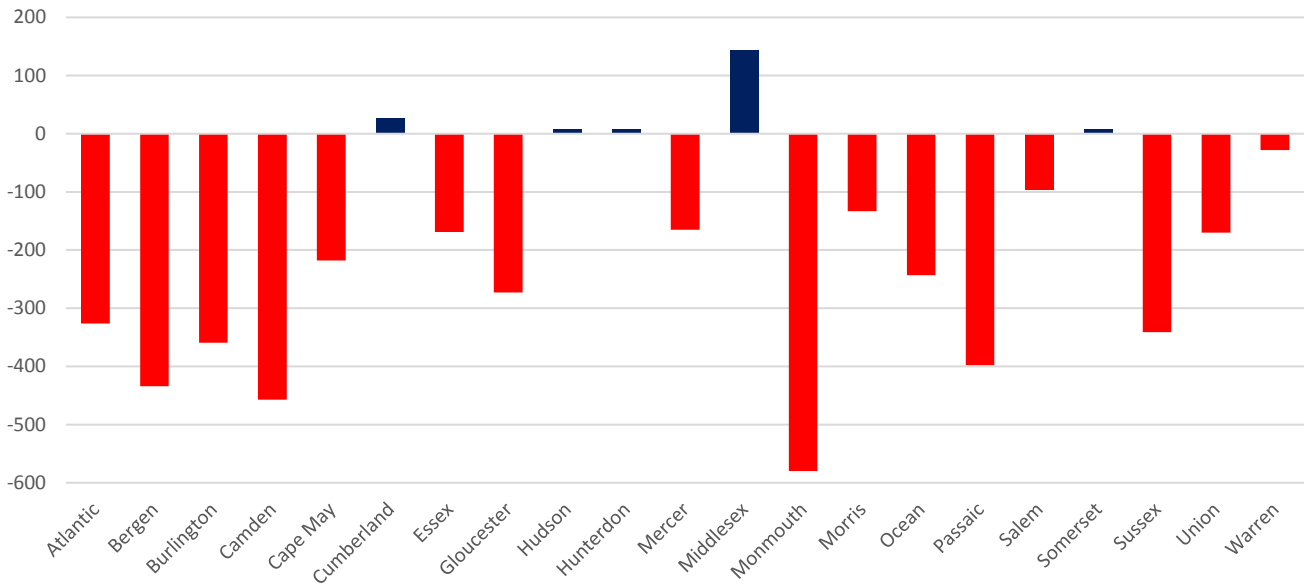
Note: Shaded areas denote recessions. Sources: National Association of Realtors, New York State Association of Realtors, NJ Realtors and FHLBNY estimates.

Of particular note, the reduction in available dwellings was broadly based across the two states in the FHLB NY district over the latest 12 months, with less than one quarter of the 63 counties experiencing increases (see Exhibit 3). In New York State, Ulster, Dutchess, Essex and Warren counties witnessed the largest absolute declines, while Queens, Nassau, Oneida and Suffolk counties experienced significant inventory increases. Two-thirds of the counties in New Jersey posted triple-digit declines in the number of homes available for sale, with only Middlesex and Cumberland counties recording noticeable gains.

Exhibit 3
Homes Available By County in New York State
(change from December 2017)



Homes Available for Sale By County in New Jersey
(change from December 2017)

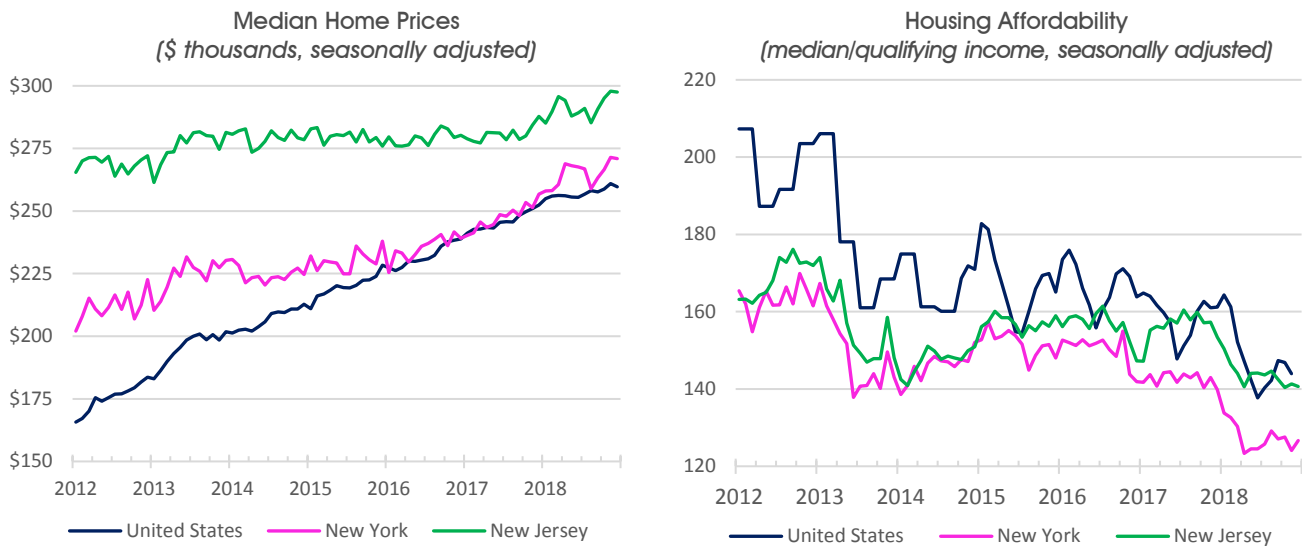


Note: New York State Association of Realtors and NJ Realtors.

PRICE INCREASES, REDUCED AFFORDABILITY HAD A LIMITED EFFECT ON SALES IN NEW YORK AND NEW JERSEY

Median home selling prices remained on uptrends both nationally and locally in 2018 (see Exhibit 4, left). The median cost of a home in the United States climbed by 2.9% to \$259,695 after seasonal adjustment last year, following a 5.7% gain over the course of calendar 2017. Not only did median home prices in both New York and New Jersey remain above the corresponding national figure, but both states also experienced greater appreciation over the latest 12 months. Indeed, the median cost of homes sold in the Empire State rose by 5.5% after seasonal adjustment to \$270,932, while that of the Garden State posted a 3.3% gain to \$297,464. The aforementioned rise in median prices, combined with steady increases in mortgage interest rates, weighed on housing affordability during 2018 (see Exhibit 4, right). The national barometer shed 17 index points to 144 over the 12 months ended last November – well off the 207 reading recorded in the winter of 2012. The housing affordability indexes in New York and New Jersey both moved 13 index points lower to 127 and 141, respectively, after seasonal adjustment last year. While both states remain less affordable than the remainder of the country, housing has been more financially accessible in the Garden State for 46 consecutive months. The National Association of Realtors’ Affordability Distribution Scores, which consider affordability for all income percentiles in light of dwellings currently available for sale, provide slightly different results. The score for the entire United States declined from 0.87 at the end of 2017 to 0.83 in December, while those for New York and New Jersey fell by six and seven basis points, respectively to 0.64 and 0.81. This alternative measure also finds the Garden State more financially accessible and close to the national average.

Exhibit 4

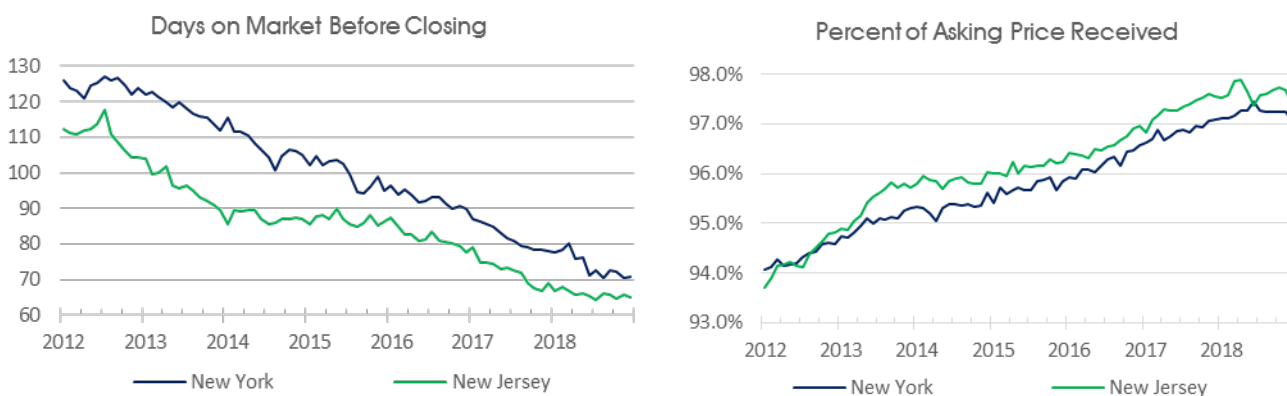


Sources: National Association of Realtors, New York State Association of Realtors, NJ Realtors and FHLBNY estimates.

AMIDST LIMITED SUPPLY, RISING PRICES AND REDUCED AFFORDABILITY, FHLBNY DISTRICT REMAINS A SELLER'S MARKET

Against the aforementioned backdrop, market conditions in the aggregate continue to favor those considering selling a home. The number of days it takes dwellings hitting the market to change hands moved lower over the course of 2018 and at 71 days in New York and 65 days in New Jersey stood just 24 hours above their respective expansion lows (see Exhibit 5, left). While still eclipsing 97% in both states, it appears that the percentage of asking prices received by sellers in the FHLBNY coverage area has leveled off (see Exhibit 5, right).

Exhibit 5

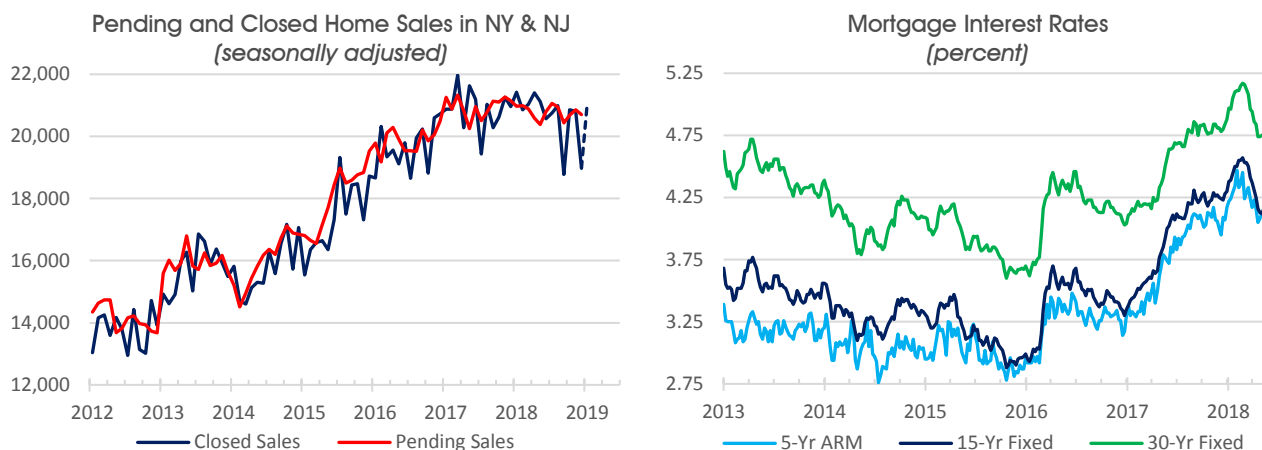


Sources: New York State Association of Realtors, NJ Realtors and FHLBNY estimates.

OUTLOOK FOR SALES IN THE EMPIRE AND GARDEN STATES APPEARS POSITIVE BEGINNING THE NEW YEAR

Mimicking the December decline in closings nationally and regionally, existing home sales in New York and New Jersey tumbled by 8.8% after seasonal adjustment to a three-month low of 18,980. Given the comparatively stable level of dwellings in contract over the September-November span, last month’s drop seems excessive, hinting at a significant rebound to begin the New Year (see Exhibit 6, left). Indeed, pending home sales figures collected by realtors in the Empire and Garden States suggest that local existing home purchases could surge by 11.2% to an eight-month high of 21,110 in January. Beyond upcoming reports, the steady pullback in mortgage interest rates from early-November peaks should provide a significant boost to sales activity as the key spring selling season approaches (see Exhibit 6, right).

Exhibit 6



Sources: New York State Association of Realtors, NJ Realtors and FHLBNY estimates; Mortgage Bankers Association.

QUESTIONS / COMMENTS?

The *Economic Perspectives* newsletter is authored by the FHLBNY’s Financial Economist, Brian Jones. Contact your Relationship Manager at (212) 441-6700 to discuss the information shared in this newsletter and any potential business opportunities with the FHLBNY as your partner.

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