

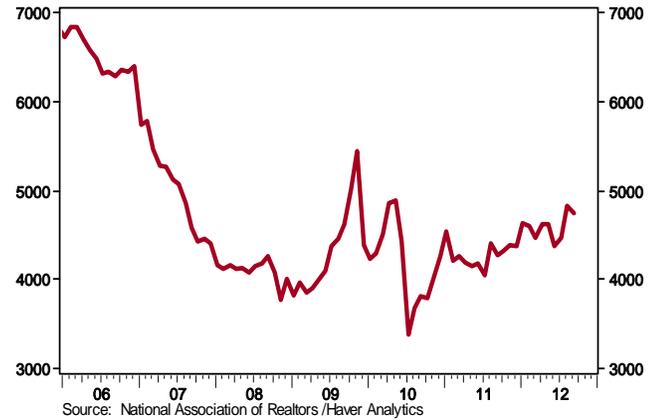
September Existing Home Sales

Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Senior Economist
Strider Elass – Economic Analyst

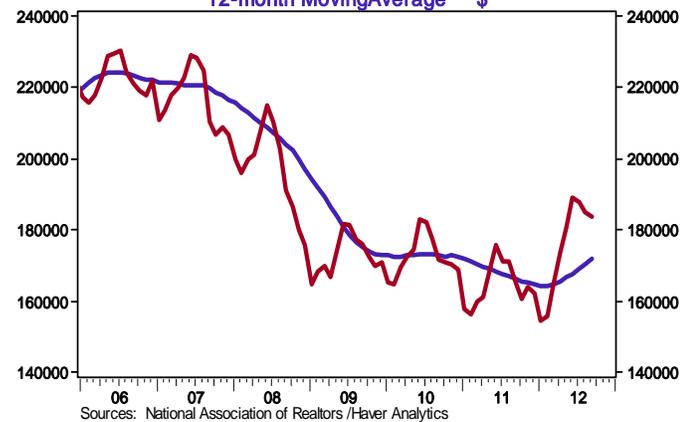
- Existing home sales declined 1.7% in September to an annual rate of 4.75 million units, exactly matching consensus expectations. Sales are up 11.0% versus a year ago.
- Sales in August were down in the Northeast, Midwest and West but up in the South. The fall in sales was all due to a decline in single-family home sales; sales of condo/coops were unchanged.
- The median price of an existing home fell slightly to \$183,900 in September (not seasonally adjusted), but is up 11.3% versus a year ago. Average prices are up 9.2% versus last year.
- The months' supply of existing homes (how long it would take to sell the entire inventory at the current sales rate) fell to 5.9 in September from 6.0 in August. The decline in the months' supply was all due to a drop in single-family inventories.

Implications: Although existing home sales fell slightly in September, they remain right near the highest level in over two years and there should be no doubt the housing market is in recovery. Sales are up 11% from a year ago while home prices are up 11.3%. Meanwhile, the inventory of existing homes fell to 2.32 million in September from 2.40 million in August, the lowest level since March 2005! Inventories are down 20% from a year ago and the months' supply of homes (how long it would take to sell the entire inventory at the current selling rate) fell to 5.9, the lowest level since March 2006. Just a year ago, the months' supply was 8.1. In the year ahead, higher prices and sales volumes should lure more potential sellers into the market. The rise in median prices can be attributed to a couple of factors. First, a lack of inventory while demand is picking up. Second, fewer distressed sales and more sales of larger homes. In general, it still remains tougher than normal to buy a home. Despite record low mortgage rates, home buyers face very tight credit conditions. Tight credit conditions would also explain why all-cash transactions accounted for 28 percent of purchases in September versus a traditional share of about 10 percent. Those with cash are able to take advantage of home prices that are extremely low relative to fundamentals (such as rents and replacement costs); for them, it's a great time to buy. With credit conditions remaining tight, we don't expect a huge increase in home sales anytime soon, but the housing market is definitely on the mend. In other recent news, new claims for unemployment insurance increased 46,000 last week to 388,000. The week before, claims had dropped to 342,000. The true trend is likely somewhere in between; averaging the two figures gets to 365,000 which is very close to the four-week moving average of 366,000. The Philadelphia Fed index, which measures manufacturing sentiment in that region, increased to +5.7 in October from -1.9 in September. This is the first positive reading and the highest level since April.

NAR Total Existing Home Sales, United States
 SAAR, Thous



Existing Home Sales: Median Sales Price
 Existing Home Sales: Median Sales Price
 12-month Moving Average



Existing Home Sales <i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>	Sep-12		Aug-12	Jul-12	3-month	6-month	Yr to Yr % Change
	% Ch.	level					
Existing Home Sales	-1.7%	4750	4830	4470	4683	4610	11.0
Northeast	-6.3%	590	630	580	600	595	7.3
Midwest	-0.9%	1100	1110	1040	1083	1057	19.6
South	0.5%	1930	1920	1770	1873	1825	14.2
West	-3.4%	1130	1170	1080	1127	1133	0.9
Median Sales Price (\$, NSA)	-0.5%	183900	184900	187800	185533	183233	11.3

Source: National Association of Realtors