

December Existing Home Sales

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

- Existing home sales declined 1.0% in December to an annual rate of 4.94 million units, coming in below the consensus expected 5.10 million rate. Sales are up 12.8% versus a year ago.
- Sales in December were down in the Midwest and South, but up in the West and Northeast. The decline in sales was due to a slower sales pace for single-family homes. Condo/coops sales rose slightly.
- The median price of an existing home rose to \$180,800 in December (not seasonally adjusted), and is up 11.5% versus a year ago. Average prices are up 10.5% 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 4.4 in December from 4.8 in November. The decline in the months' supply was due to lower inventories for single-family homes. Condo/coops inventories rose slightly.

Implications: Existing home sales fell 1.0% in December, but remain right near the highest sales pace since November 2009, which was artificially boosted by the \$8,000 homebuyer credit. Sales are up 12.8% from a year ago. Meanwhile, the inventory of existing homes fell to 1.82 million in December from 1.99 million in November, the lowest level since January 2001. Inventories are down 21.6% 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 4.4, the lowest level since May 2005 when we were in the height of the housing boom. Just a year ago, the months' supply was 6.4. In the year ahead, higher prices and sales volumes should lure more potential sellers into the market. The 11.5% gain in median prices versus a year ago 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. This can be seen in the data as homes priced from \$0-\$100,000 were down 16.7% from a year ago while those \$1,000,000+ are up 62.3% from a year ago. 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 29 percent of purchases in December 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 news, the Richmond Fed index, a survey of mid-Atlantic manufacturers, fell to -12 in January from +5 in December. Regional manufacturing surveys have been coming in weaker so far in January, but this may be a head fake considering a lack of supporting evidence such as an increase in unemployment claims. Expect more plow horse growth ahead.

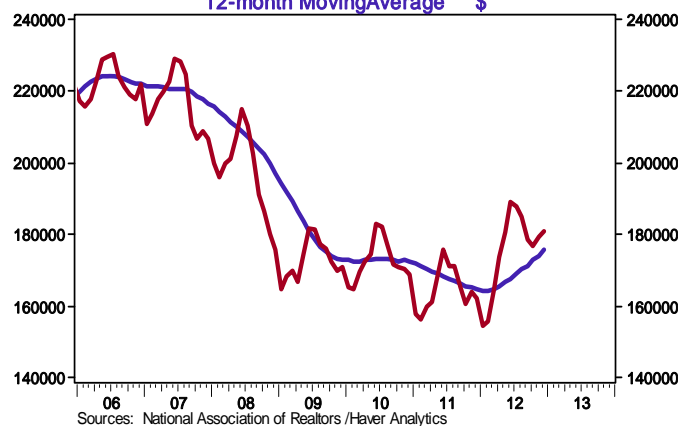
NAR Total Existing Home Sales, United States

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Existing Homes: Median Sales Price

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 12-month Moving Average



Existing Home Sales	Dec-12		Nov-12	Oct-12	3-month	6-month	Yr to Yr
	% Ch.	level					
<i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>							
Existing Home Sales	-1.0%	4940	4990	4760	4897	4780	12.8
Northeast	3.2%	640	620	580	613	607	10.3
Midwest	-5.9%	1120	1190	1110	1140	1110	15.5
South	-3.0%	1950	2010	1890	1950	1903	14.7
West	5.1%	1230	1170	1180	1193	1160	8.8
Median Sales Price (\$, NSA)	0.8%	180800	179400	176900	179033	181350	11.5

Source: National Association of Realtors