

# OCTOBER EXISTING HOME SALES

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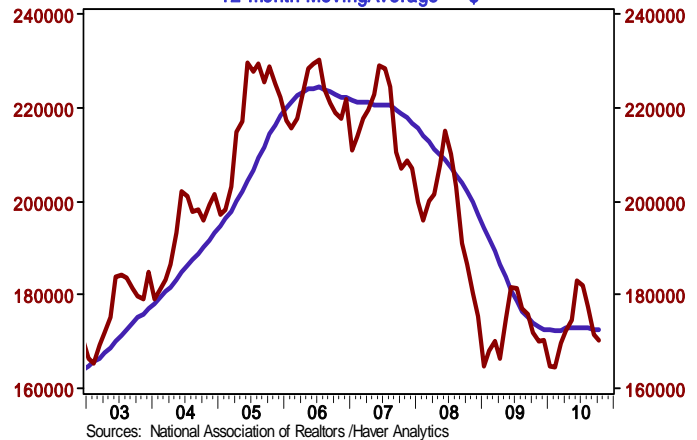
- Existing home sales fell 2.2% in October to an annual rate of 4.43 million, slightly below the consensus expected pace of 4.48 million. Existing home sales are down 25.9% versus a year ago, when sales were artificially high due to the homebuyer credit.
- Sales in October were down in all major regions of the country and decreased for both single-family homes and condos/coops.
- The median price of an existing home declined to \$170,500 in October (not seasonally adjusted), and is down 0.9% versus a year ago. Last October, prices were down 7.7% from the prior year.
- The months' supply of existing homes (how long it would take to sell the entire inventory at the current sales rate) fell to 10.5 from 10.6 in September. The decline in the months' supply was all due to a decline in overall inventories.

**Implications:** After increasing 10% in September, existing homes pulled back 2.2% in October. Some of the decline may have been due to the temporary moratorium on foreclosures, in which case the end of the moratorium may boost sales in November. Regardless, we believe the underlying trend will be upward over the next year, as sales rebound without artificial government support. Although the data will zig and zag from month to month, we expect the rebound trend to continue until sales get back up to about 5.5 million units at an annualized rate. And we expect the rebound even if mortgage rates float back upward. As buyers get more confident about the state of the economy, private-sector job creation accelerates, and purchasers become more confident that their homes will rise in value rather than decline, they will be more willing to buy homes even if interest rates are higher. For example, mortgage rates averaged about 7.5% in the late 1990s and were not an impediment to rising home sales. Another idea to remember is that when other analysts talk about the "shadow inventory" of homes, you should think about the "shadow demand" for rental properties, which will fill vacancies elsewhere. In other news this morning, the Richmond Fed index, a measure of manufacturing in the mid-Atlantic, increased to +9 in November from +5 in October. The consensus had expected a smaller gain to +6.

Total Existing Home Sales  
SAAR, Thous



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



Existing Home Sales <i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>	Oct-10		Sep-10	Aug-10	3-month	6-month	Yr to Yr % Change
	%Ch.	level					
<b>Existing Home Sales</b>	-2.2%	4430	4530	4120	4360	4640	-25.9
<b>Northeast</b>	-1.3%	750	760	690	733	767	-27.2
<b>Midwest</b>	-1.1%	940	950	830	907	1013	-32.4
<b>South</b>	-3.4%	1710	1770	1600	1693	1793	-24.0
<b>West</b>	-1.9%	1030	1050	1000	1027	1067	-21.4
<b>Median Sales Price (\$, NSA)</b>	-0.6%	170500	171500	177500	173167	176533	-0.9

Source: National Association of Realtors