

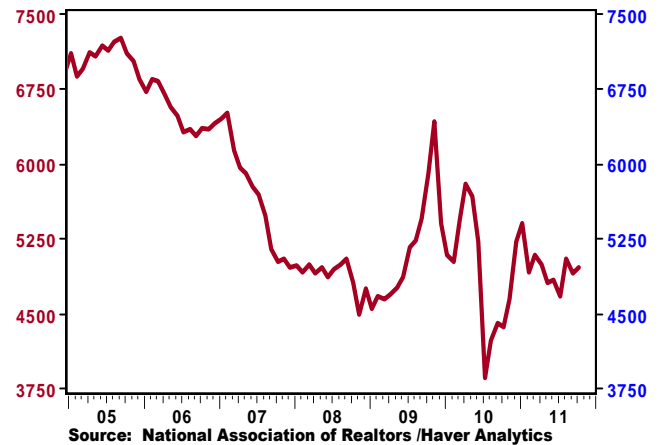
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October Existing Home Sales

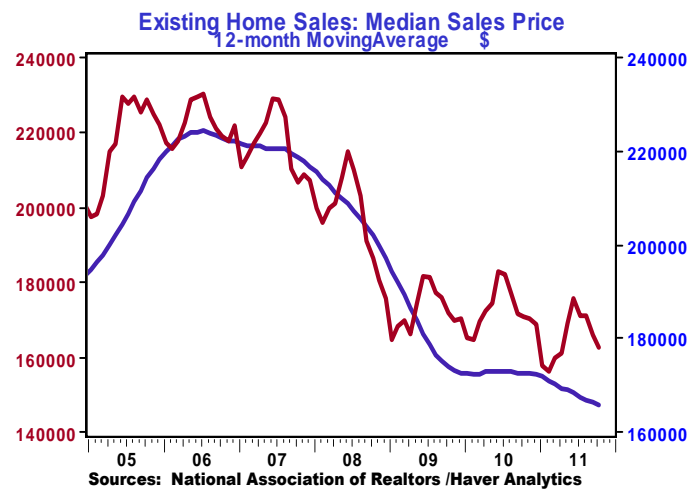
- Existing home sales increased 1.4% in October to an annual rate of 4.97 million units, well above the consensus expected pace of 4.80 million units. Existing home sales are up 13.5% versus a year ago.
- Sales in October were up in the West, Midwest, and South, but down in the Northeast. All of the increase in overall sales was due to single-family homes; sales of condos/coops were unchanged for the month.
- The median price of an existing home fell to \$162,500 in October (not seasonally adjusted), and is down 4.7% versus a year ago. Average prices are down 4.6% 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 8.0 in October from 8.3 last month. The decline in the months' supply was due to both a faster pace of sales and a drop in the inventory of homes for sale.

Implications: Existing home sales handily beat consensus expectations in October, but remained right near the middle of the 4.6 - 5.1 million annual rate range they have been in since March. The National Association of Realtors said cancelled contracts to buy existing homes increased to 33% in October. This is substantially higher than the 18% pace of September, which was already near twice normal levels. These figures suggest that, despite low mortgage rates, homebuyers face very tight credit conditions. Tight credit conditions would also explain why all-cash transactions accounted for 29% of sales in October, versus a traditional share of about 10%. If you have cash, prices are low relative to fundamentals (such as rents and replacement costs), and so it's a great time to buy. But it's not nearly as easy to take advantage of low prices if you have to ask a lender for a loan. A large portion of sales in October came from distressed properties (such as foreclosures and short sales). While some may see this as a negative, this is exactly what has to happen for inventories to continue to be worked off and for the housing market to recover. Slowly but surely, the inventory of existing homes continues to fall, now down 13.8% versus a year ago and the lowest level for any October since 2005. But with credit conditions likely to remain tight for some time, we don't expect a huge increase in home sales any time soon, even with historically low mortgage rates.

NAR Total Existing Home Sales, United States
 SAAR, Thous



Existing Home Sales: Median Sales Price



Existing Home Sales	Oct-11		Sep-11	Aug-11	3-month	6-month	Yr to Yr
	%Ch.	level					
Seasonally Adjusted Unless Noted, Levels in Thous.							
Existing Home Sales	1.4%	4970	4900	5060	4977	4875	13.5
Northeast	-5.1%	750	790	770	770	760	1.4
Midwest	2.8%	1100	1070	1100	1090	1065	19.6
South	2.1%	1940	1900	1940	1927	1890	14.1
West	4.4%	1190	1140	1250	1193	1162	15.5
Median Sales Price (\$, NSA)	-2.0%	162500	165800	171200	166500	169267	-4.7

Source: National Association of Realtors