

October Existing Home Sales

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

- Existing home sales rose 2.1% in October to an annual rate of 4.79 million units, coming in slightly higher than consensus expectations. Sales are up 10.9% versus a year ago.
- Sales in October were up in the West, South and Midwest but down in the Northeast. The increase in sales was due to a faster sales pace in both single-family home sales and sales of condo/coops.
- The median price of an existing home rose slightly to \$178,600 in October (not seasonally adjusted), and is up 11.1% 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 5.4 in October from 5.6 in September. The decline in the months' supply was mostly due to a faster selling pace. Condo/coop inventories fell as well.

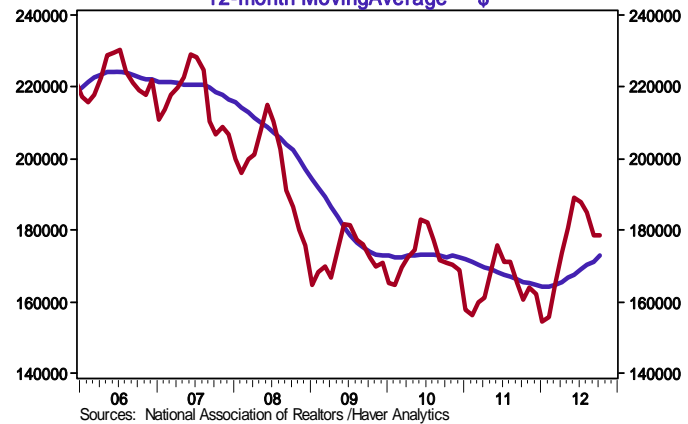
Implications: There should be no doubt the housing market is in recovery. Despite some negative effects from Hurricane Sandy in the northeast, existing home sales rose 2.1% in October and remain right near the highest level in over two years. Sales are up 10.9% from a year ago while home prices are up 11.1%. Meanwhile, the inventory of existing homes fell to 2.14 million in October from 2.17 million in September, the lowest level since December 2002! Inventories are down 22% 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 5.4, the lowest level since February 2006. Just a year ago, the months' supply was 7.6. 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 29 percent of purchases in October 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, and we may see slightly weaker numbers over the next few months as Hurricane Sandy wreaked havoc in the Northeast, but the housing market is definitely on the mend. In other housing news this morning, the NAHB Homebuilders index, a measure of confidence, increased to 46 in November from 41 in October. Confidence among homebuilders is now the highest in six years, another sign that the recovery in housing is gaining traction.

NAR Total Existing Home Sales, United States
 SAAR, Thous



Existing Homes: Median Sales Price

Existing Homes: Median Sales Price
 12-month Moving Average



Existing Home Sales	Oct-12		Sep-12	Aug-12	3-month	6-month	Yr to Yr % Change
	% Ch.	level					
<i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>							
Existing Home Sales	2.1%	4790	4690	4830	4770	4628	10.9
Northeast	-1.7%	580	590	630	600	588	13.7
Midwest	1.8%	1110	1090	1110	1103	1068	18.1
South	2.1%	1920	1880	1920	1907	1838	11.0
West	4.4%	1180	1130	1170	1160	1133	3.5
Median Sales Price (\$, NSA)	0.2%	178600	178300	184900	180600	183117	11.1

Source: National Association of Realtors