

August Existing Home Sales

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- Existing home sales rose 7.8% in August to an annual rate of 4.82 million units, coming in way above the consensus expected 4.56 million. Sales are up 9.3% versus a year ago.
- Sales in August were up in all major areas of the country. The rise in sales was due to increases in both single-family and multi-family home sales.
- The median price of an existing home fell slightly to \$187,400 in August (not seasonally adjusted), but is up 9.5% versus a year ago. Average prices are up 4.3% 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 6.1 in August from 6.4 in July. The decline in the months' supply was all due to a faster selling pace. Inventories rose in August.

Implications: There should be no doubt the housing market is in recovery. Existing home sales boomed in August rising 7.8%, coming in at the highest levels since mid-2010, when sales were artificially high due to the homebuyer tax credit. Some of the gain in August might be due to seasonal adjustment issues: sales also spiked higher in August 2010 and August 2011. However, sales are still up 9.3% from a year ago while home prices are up 9.5%. Higher sales and prices might be luring some sellers back into the market. The inventory of existing homes rose to 2.47 million in August from 2.40 million in July. Still, inventories are down 18.2% 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 6.1. Just a year ago, the months' supply was 8.2. A couple of factors explain the rise in existing home prices. First, the lack of inventory on the market is pushing up prices while demand is picking up for housing. Second, fewer distressed sales and more sales of larger homes. In general, it still remains tough 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 27 percent of purchases in August 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 any time soon, but the housing market is definitely on the mend. Other recent economic news has been mixed. The NAHB index, which measures confidence among homebuilders, rose to 40 in September from 37 in August, the highest level since 2006. Meanwhile, the Empire State index, which measures the direction of manufacturing activity in New York, fell to -10.4 in September from -5.9 in August, the lowest level since the recession ended in 2009.

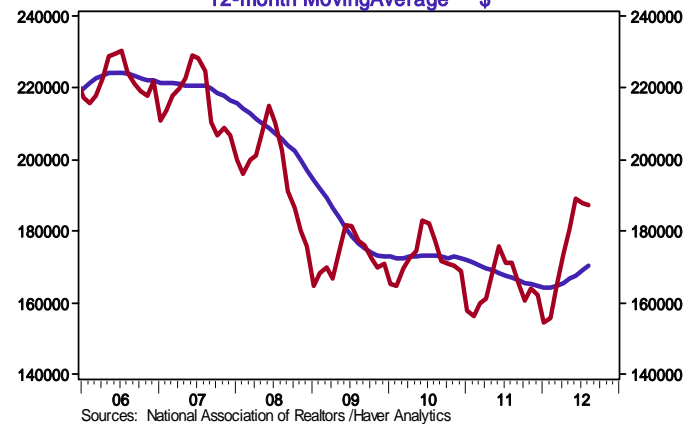
NAR Total Existing Home Sales, United States

SAAR, Thous



Existing Homes: Median Sales Price

Existing Homes: Median Sales Price
 12-month Moving Average



Existing Home Sales <i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>	Aug-12		Jul-12	Jun-12	3-month	6-month	Yr to Yr %Change
	%Ch.	level					
Existing Home Sales	7.8%	4820	4470	4370	4553	4562	9.3
Northeast	8.6%	630	580	540	583	595	8.6
Midwest	7.7%	1120	1040	1020	1060	1045	17.9
South	7.3%	1900	1770	1730	1800	1788	11.1
West	8.3%	1170	1080	1080	1110	1133	0.0
Median Sales Price (\$, NSA)	-0.2%	187400	187800	188800	188000	180467	9.5

Source: National Association of Realtors