

September Existing Home Sales

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- Existing home sales rose 2.4% in September to a 5.17 million annual rate, beating the consensus expected 5.10 million rate. Sales are down 1.7% versus a year ago.
- Sales in September were up in the West, South and Northeast but down in the Midwest. The increase in sales was mostly due to single-family homes, although sales of condos/coops were up as well.
- The median price of an existing home fell to \$209,700 in September (not seasonally adjusted) but is up 5.6% versus a year ago. Average prices are up 3.7% versus last year.
- The months' supply of existing homes (how long it would take to sell the entire inventory at the current sales rate) declined to 5.3 months in September from 5.5 months in August. This was due to both a faster selling pace as well as a decline in inventories.

Implications: Existing home sales look like they're getting some of their mojo back. Sales increased 2.4% in September, have risen in five of the last six months, and are now the highest in a year. Although overall sales are still down 1.7% from that year-ago level, this masks a huge change in the composition of existing home purchases that bodes well for the future. Distressed homes (foreclosures and short sales) now account for only 10% of sales, down from 14% a year ago. All-cash buyers are now 24% of sales versus 33% a year ago. As a result, non-cash sales (where the buyer uses a mortgage loan) are up 11.5% since last September. So, even though tight credit continues to suppress sales, we are seeing early signs of an easing in mortgage credit, which suggests overall sales will climb in the year ahead. Another reason for the tepid recovery so far in existing home sales is a lack of inventory. Inventories are up 6% from a year ago, but down the past two months. In the year ahead, we expect higher home prices to bring more homes on the market, which should help generate additional sales. Either way, whether existing home sales are up or down, it's important to remember that these data, by themselves, should not change anyone's impression about the overall economy. Existing home sales contribute almost zero to GDP. Look for better sales in the months ahead. But, unless lenders dramatically loosen standards, the increases in sales will remain tame by historical standards.

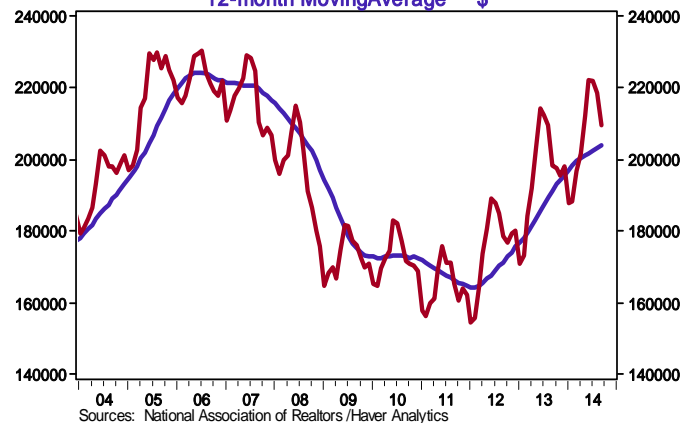
NAR Total Existing Home Sales, United States

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Existing Homes: Median Sales Price

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 12-month Moving Average



| Existing Home Sales | Sep-14 | | Aug-14 | Jul-14 | 3-month | 6-month | Yr to Yr % Change |
|---|--------|--------|--------|--------|---------|---------|-------------------|
| | % Ch. | level | | | | | |
| <i>Seasonally Adjusted Unless Noted, Levels in Thous.</i> | | | | | | | |
| Existing Home Sales | 2.4% | 5170 | 5050 | 5140 | 5120 | 4993 | -1.7 |
| Northeast | 1.5% | 680 | 670 | 640 | 663 | 642 | -1.4 |
| Midwest | -5.6% | 1170 | 1240 | 1210 | 1207 | 1165 | -4.9 |
| South | 5.0% | 2120 | 2020 | 2120 | 2087 | 2050 | 1.4 |
| West | 7.1% | 1200 | 1120 | 1170 | 1163 | 1137 | -4.0 |
| Median Sales Price (\$, NSA) | -4.0% | 209700 | 218400 | 221600 | 216567 | 214200 | 5.6 |

Source: National Association of Realtors