

October Existing Home Sales

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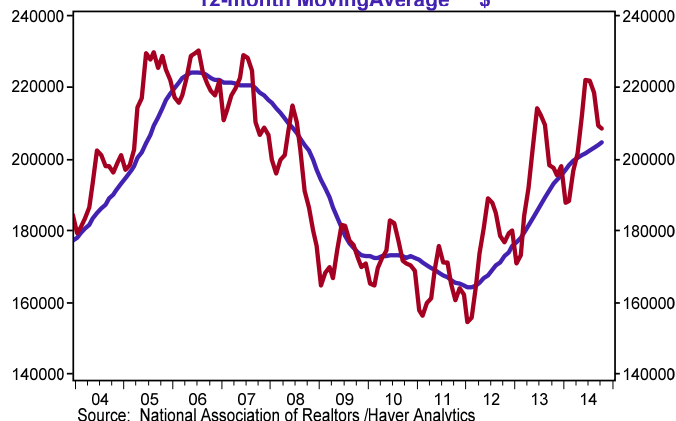
- Existing home sales rose 1.5% in October to a 5.26 million annual rate, beating the consensus expected 5.15 million. Sales are up 2.5% versus a year ago.
- Sales in October were up in the Midwest, Northeast and South, but down in the West. The increase in sales was mostly due to single-family homes, although sales of condos/coops were up as well.
- The median price of an existing home fell to \$208,300 in October (not seasonally adjusted) but is up 5.5% versus a year ago. Average prices are up 4.0% 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 5.1 months in October from 5.3 months in September. This was due to both a faster selling pace as well as a decline in inventories.

Implications: Forget about home sales for a minute. On the manufacturing front, the Philly Fed index, a measure of factory sentiment in that region, rose to +40.8 in November from +20.7 in October, blowing away all consensus expectations and hitting the highest level since 1993. We'll see how the data for the whole month turn out now that winter weather has started unusually early, but it looks like manufacturing had lots of momentum just before the recent polar plunge. On the housing front, existing home sales look like they're keeping their recent mojo. Sales increased 1.5% in October, have risen in six of the last seven months, and are now the highest in over a year. Overall sales are up a modest 2.5% from a year ago. However, distressed homes (foreclosures and short sales) now account for only 9% of sales, down from 14% a year ago, while all-cash buyers are now 27% of sales versus 31% a year ago. As a result, non-cash sales (where the buyer uses a mortgage loan) are up 8.5% since last October. So, even though tight credit continues to suppress sales, we are seeing signs of an easing in mortgage credit, which suggests overall sales will continue to 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 5.2% from a year ago, but down over the past three 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 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.

Total Existing Home Sales, United States
SAAR, Thous



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



Existing Home Sales	Oct-14		Sep-14	Aug-14	3-month	6-month	Yr to Yr	
	Seasonally Adjusted Unless Noted, Levels in Thous.	% Ch.						level
Existing Home Sales		1.5%	5260	5180	5050	5163	5095	2.5
Northeast		2.9%	710	690	670	690	662	4.4
Midwest		5.1%	1240	1180	1240	1220	1200	2.5
South		2.8%	2170	2110	2020	2100	2087	5.3
West		-5.0%	1140	1200	1120	1153	1147	-3.4
Median Sales Price (\$, NSA)		-0.4%	208300	209100	218400	211933	215233	5.5

Source: National Association of Realtors