

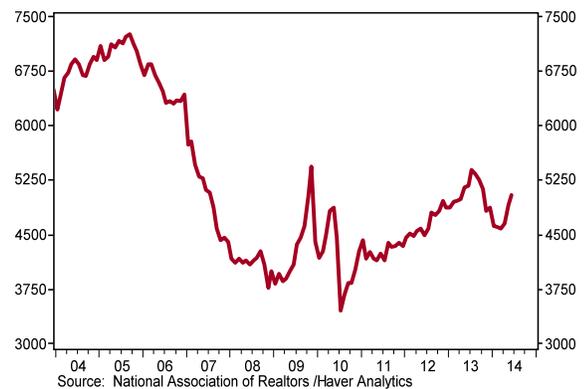
June Existing Home Sales

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- Existing home sales increased 2.6% in June to a 5.04 million annual rate, beating the consensus expected 4.99 million rate. Sales are down 2.3% versus a year ago.
- Sales in June were up in all regions, led by the Midwest and the Northeast. The increase in sales was due to higher sales of both single-family homes and condos/coops.
- The median price of an existing home rose to \$223,300 in June (not seasonally adjusted) and is up 4.3% versus a year ago. Average prices are up 2.9% versus last year.
- The months' supply of existing homes (how long it would take to sell the entire inventory at the current sales rate) was unchanged at 5.5 months in June as the faster selling pace offset an increase in inventories.

Implications: Housing keeps growing...Plow-Horse-like. Which, if you think about it, is a huge disappointment. Yes, existing home sales grew a strong 2.6% in June, rising to a 5.04 million annual rate. But, total sales are still 6.3% below the peak in July 2013. After an eight month slide, existing home sales have now increased for three months in a row. Why did housing slow between July 2013 and March 2014? No one knows for sure, and there are more theories out there than analysts, but a lack of inventory was fingered by realtors themselves. Today's report suggests that is changing. Inventories are up six months in a row, including a 2.2% jump in June. They are 6.5% higher today than they were a year ago. More inventory should help spur sales in the months ahead. One key reason for growing inventories is that home prices continue to move higher (median prices for existing homes are up 4.3% from a year ago). In other words, recovering home prices are getting more potential sellers into the market, which will increase sales. Either way, whether existing home sales are up or down, these data should not change anyone's impression about the overall economy. Remember, existing home sales contribute almost zero to GDP. Also, despite recent gains in sales, credit remains tight, making it relatively hard to get a mortgage. In June, 32% of all sales were all-cash transactions. However, we do not believe higher mortgage rates are noticeably holding back sales. The US had a bubble in housing during 2003-05, when 30-year mortgage rates averaged 5.8%. Today they are 4.3%. We remain convinced that the underlying trend for housing remains upward. In other housing news this morning, the FHFA price index, for homes financed with conforming mortgages, was up 0.4% in May and is up 5.5% from a year ago. Given the rise in inventory coming on the market, expect the price gains to continue, but at a slower pace than in the past year. On the manufacturing front, the Richmond Fed index, a measure of factory sentiment in the mid-Atlantic region, rose to +7 in July from +4 in June, signaling continued gains in industrial production in July.

NAR Total Existing Home Sales, United States
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Existing Homes: Median Sales Price

Existing Homes: Median Sales Price
 12-month Moving Average



Existing Home Sales	Jun-14		May-14	Apr-14	3-month	6-month	Yr to Yr	
	Seasonally Adjusted Unless Noted, Levels in Thous.	% Ch.						level
Existing Home Sales		2.6%	5040	4910	4660	4870	4737	-2.3
Northeast		3.2%	640	620	600	620	605	-3.0
Midwest		6.2%	1200	1130	1040	1123	1075	-2.4
South		0.5%	2060	2050	1940	2017	1983	1.0
West		2.7%	1140	1110	1080	1110	1073	-7.3
Median Sales Price (\$, NSA)		5.3%	223300	212000	201500	212267	201617	4.3

Source: National Association of Realtors