

August Existing Home Sales

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- Existing home sales declined 1.8% in August to a 5.05 million annual rate, coming in below the consensus expected 5.20 million rate. Sales are down 5.3% versus a year ago.
- Sales in August were down in the West and South but up in the Northeast and Midwest. The decline in sales was mostly due to single-family homes, although sales of condos/coops were down as well.
- The median price of an existing home fell to \$219,800 in August (not seasonally adjusted) but is up 4.8% versus a year ago. Average prices are up 3.4% 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 August as the slower selling pace offset a decline in inventories.

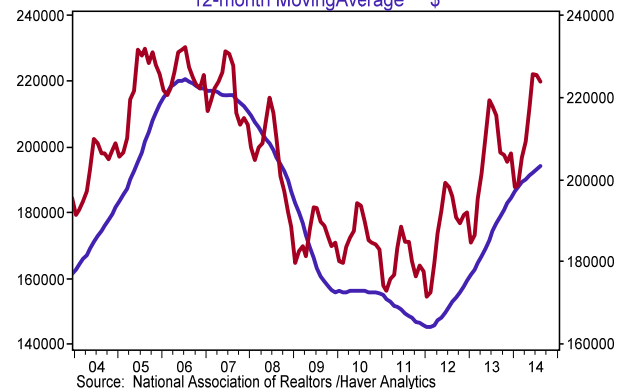
Implications: After increasing four consecutive months, existing home sales declined 1.8% in August, falling to a 5.05 million annual rate. Home sales have been a microcosm of the Plow Horse economy. They have not boomed by any measure, but have certainly bounced off the bottom. Why haven't we seen more robust improvement? One big reason is tight credit. Despite being loaded with excess reserves from the Federal Reserve, banks are still reluctant to lend to home buyers. This is in direct contrast to the auto market, where non-bank lenders have loosened standards substantially since 2008-09 and auto sales have fully recovered. Another reason for the tepid recovery in existing home sales is a lack of inventory. After rising for seven consecutive months, inventories declined 1.7% in August. Still, inventories are 4.5% higher today than they were a year ago and more inventory should eventually help spur sales as buyers have more choices. The median price of an existing home sold is up 4.8% from a year ago and inventories are up 4.5%. In other words, recovering prices are getting more potential sellers into the market, which should lead to higher sales. An encouraging sign of continued healing in the housing market is that distressed homes (foreclosures and short sales) accounted for only 8% of August sales, down from 12% a year ago, and the lowest level since NAR started tracking distressed sales in October 2008. All-cash buyers, which averaged about 10% of total sales before the housing bust and around 30% of sales over the past few years, fell to 23% in August, the lowest level since December 2009. This means non-cash sales rose in August and may be an early sign that lenders are finally easing mortgage credit. If so, home sales could accelerate over the next year. 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. 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	Aug-14		Jul-14	Jun-14	3-month	6-month	Yr to Yr	
	Seasonally Adjusted Unless Noted, Levels in Thous.	% Ch.						level
Existing Home Sales		-1.8%	5050	5140	5030	5073	4897	-5.3
Northeast		4.7%	670	640	640	650	628	-4.3
Midwest		2.5%	1240	1210	1200	1217	1143	-3.9
South		-4.2%	2030	2120	2050	2067	2018	-3.8
West		-5.1%	1110	1170	1140	1140	1107	-9.8
Median Sales Price (\$, NSA)		-0.8%	219800	221600	222000	221133	212267	4.8

Source: National Association of Realtors