

# December Existing Home Sales

**Brian S. Wesbury** – Chief Economist  
**Robert Stein, CFA** – Dep. Chief Economist  
**Strider Elass** – Economist

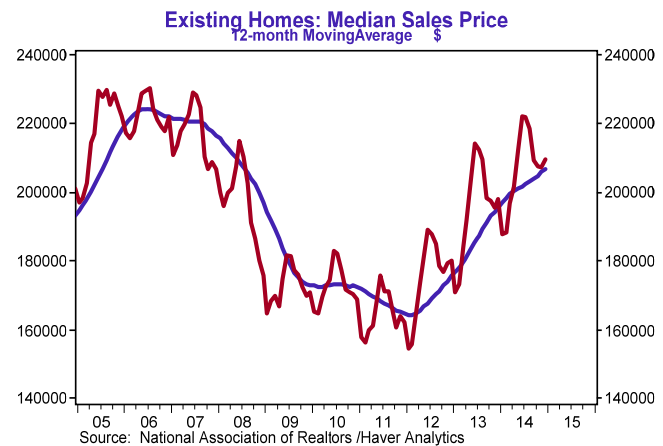
- Existing home sales rose 2.4% in December to a 5.04 million annual rate, coming in below the consensus expected 5.08 million. Sales are up 3.5% versus a year ago.
- Sales in December increased in the West and South, but declined in the Midwest and Northeast. The increase in sales was all due to single-family homes. Sales of condos/coops declined.
- The median price of an existing home rose to \$209,500 in December (not seasonally adjusted) and is up 6.0% 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) fell to 4.4 months in December. This was due to both a faster selling pace as well as a decline in inventories.

**Implications:** Sales of existing homes are trending up, but nowhere close to booming. Sales rose 2.4% in December and are up only a modest 3.5% from a year ago. However, the underlying fundamentals are improving. Distressed homes (foreclosures and short sales) now account for only 11% of sales, down from over 30% in the recent past, while all-cash buyers are down to 26% of sales from a high of 35% in February 2014. As a result, non-cash sales (where the buyer uses a mortgage loan) have jumped to 74% of the total and have been rising. In other words, even though credit (but, not liquidity) remains relatively tight, we see evidence of a thaw, which suggests overall sales will climb at a faster pace in the year ahead. What's interesting is that the percentage of buyers using credit has increased as the Fed tapered. Those predicting a housing crash from tapering were completely wrong. Probably the biggest reason for the tepid recovery in existing home sales so far is a lack of inventory. Inventories are down 0.5% from a year ago and at the lowest level in almost two years. In the year ahead, we expect the higher level of home prices to bring more sellers into 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, which counts "new" production, not re-sales of old property. Also, on the housing front, the FHFA index, which measures prices for homes financed with conforming mortgages, was up 0.8% in November, the largest increase in 18 months. In the past year, the FHFA index is up 5.3% versus a gain of 7.4% in the year ending in November 2013. We expect further gains in home prices in 2015, although at a slower pace than in recent years. In other recent news, new claims for unemployment benefits declined 10,000 last week to 307,000. Continuing claims increased 19,000 to 2.44 million. Plugging these figures into our models suggests nonfarm payrolls will be up 231,000 in January. That would bring the total gain for the past twelve months to more than 3 million, the first time that's happened for any 12-month period since 1999.

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



Existing Home Sales <i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>	Dec-14		Nov-14	Oct-14	3-month	6-month	Yr to Yr % Change
	% Ch.	level					
<b>Existing Home Sales</b>	<b>2.4%</b>	<b>5040</b>	4920	5250	5070	5097	3.5
<b>Northeast</b>	<b>-2.9%</b>	<b>660</b>	680	710	683	675	3.1
<b>Midwest</b>	<b>-3.5%</b>	<b>1090</b>	1130	1240	1153	1182	-2.7
<b>South</b>	<b>3.8%</b>	<b>2170</b>	2090	2160	2140	2112	7.4
<b>West</b>	<b>9.8%</b>	<b>1120</b>	1020	1140	1093	1128	2.8
<b>Median Sales Price (\$, NSA)</b>	<b>1.1%</b>	<b>209500</b>	207200	207500	208067	212217	6.0

Source: National Association of Realtors