

# October Existing Home Sales

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

- Existing home sales declined 3.4% in October to a 5.36 million annual rate, coming in slightly below the consensus expected 5.40 million. Sales are up 3.9% versus a year ago.
- Sales fell in the West, South, and Midwest, but remained unchanged in the Northeast. The decline was almost all due to a drop in single-family homes, but condos/coops slipped as well.
- The median price of an existing home fell to \$219,600 in October (not seasonally adjusted) but is up 5.8% 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) rose to 4.8 months in October from 4.7 in September. The increase was entirely due to a slower sales pace, actual inventories fell in October.

**Implications:** Existing home sales came in weaker than expected in October, but remained at healthy pace despite buyers having limited options in the existing home market. Sales of previously owned homes fell to a 5.36 million annual rate in October, a 3.4% decline, but are still up 3.9% from a year ago. We do not expect this month's slowdown to become a new normal. Housing data are volatile from month to month and we expect the previous positive trend to reassert itself next month. All-cash sales are down 7.7% from a year ago while sales that require a mortgage are up 8.1% over the same period. The gain in mortgage-financed sales suggests a long-overdue thaw in lending. What's interesting is that the percentage of buyers using mortgage credit has increased as the Federal Reserve tapered and then ended QE. Those predicting a housing crash without more QE were completely wrong. The major factor that held back growth in today's report was supply, or lack thereof. Total housing inventory fell 2.3% in October and is now down 4.5% from a year ago. This is leaving buyers with fewer choices and also helps explain rising prices, with median sales prices up 5.8% from a year ago. Moving forward, higher prices should lure "on-the-fence" sellers into the market, boosting inventory, and increasing sales in the year ahead. In other recent news, new claims for jobless benefits fell 5,000 last week to 271,000 while continuing claims declined slightly to 2.18 million, illustrating the continued improvement in the US labor market. This positive news was echoed by the Philadelphia Fed index, a measure of sentiment in East Coast manufacturing, which jumped back to +1.9 in November from -4.5 in October signaling expansion. All signs point to continued Plow Horse growth.

**NAR Total Existing Home Sales, United States**

SAAR, Thous



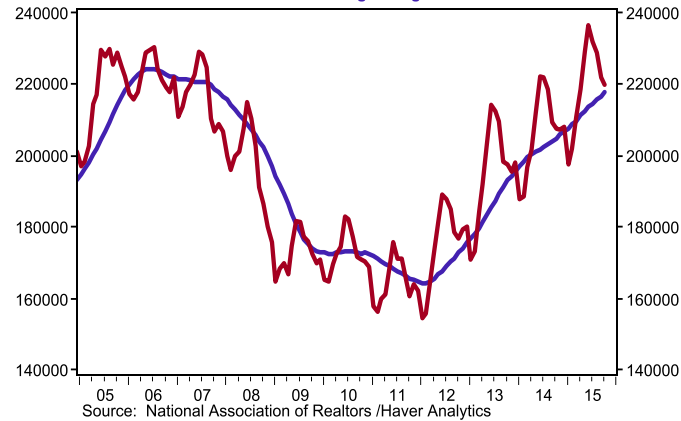
**Existing Homes: Median Sales Price**

\$

**Existing Homes: Median Sales Price**

12-month Moving Average

\$



Existing Home Sales	Oct-15		Sep-15	Aug-15	3-month	6-month	Yr to Yr
	% Ch.	level					
<i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>							
<b>Existing Home Sales</b>	<b>-3.4%</b>	<b>5360</b>	5550	5300	5403	5432	3.9
<i>Northeast</i>	<b>0.0%</b>	<b>760</b>	760	700	740	722	8.6
<i>Midwest</i>	<b>-0.8%</b>	<b>1300</b>	1310	1280	1297	1297	8.3
<i>South</i>	<b>-3.2%</b>	<b>2140</b>	2210	2130	2160	2187	0.5
<i>West</i>	<b>-8.7%</b>	<b>1160</b>	1270	1190	1207	1227	2.7
<b>Median Sales Price (\$, NSA)</b>	<b>-0.9%</b>	<b>219600</b>	221700	228500	223267	227800	5.8

Source: National Association of Realtors