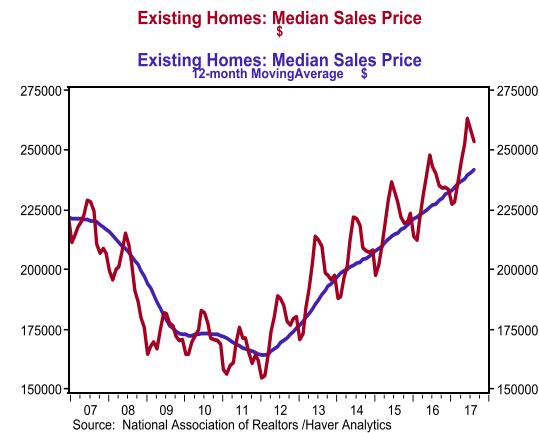
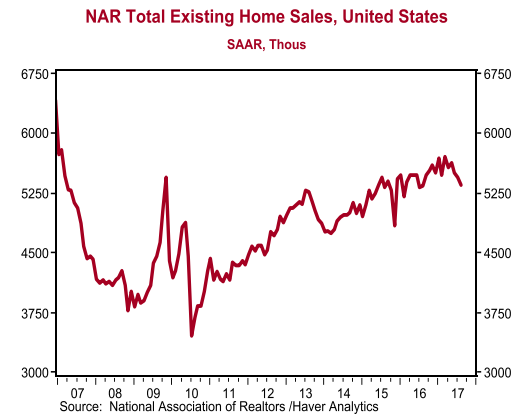


August Existing Home Sales

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- Existing home sales declined 1.7% in August to a 5.35 million annual rate, below the consensus expected 5.45 million. Sales are up 0.2% versus a year ago.
- Sales in August fell in the South and West, but rose in the Northeast and the Midwest. The drop was due to a decline in sales of single-family homes. Sales of condos/coops rose slightly in August.
- The median price of an existing home declined to \$253,500 in August (not seasonally adjusted) but is up 5.6% versus a year ago. Average prices are up 4.5% versus last year.
- The months' supply of existing homes (how long it would take to sell the entire inventory at the current sales rate) remained unchanged at 4.2 months in July. The slower pace of sales was offset by a decline in inventories.



Implications: Existing home sales stumbled for a third consecutive month in August as a declining supply of homes continued to push up prices and frustrate potential buyers. Sales of previously-owned homes fell 1.7% in August to a 5.35 million annual rate, and are now roughly flat from a year ago. However, as a result of Hurricane Harvey, sales, which are counted at closing, were down 25% in the Houston area compared to a year ago. According to the National Association of Realtors, which publishes the report, overall nationwide sales were unchanged outside of Houston. Look for more downward pressure on sales for at least the next couple of months. Some of the closings that should have happened in August may get shifted into September, but Harvey and Irma will both reduce the number of potential homeowners looking at and signing contracts on existing homes through September. In turn, that means they will affect closings on existing homes through November, meaning we may not get a “clean” reading on sales until December. However, when we get those clean reports we expect an upward trend in sales to re-emerge. That said, the major headwind for sales has been the decline in inventories, which have now fallen on a year-over-year basis for 27 consecutive months and are down 6.5% from a year ago. This has also affected the months' supply of existing homes – how long it would take to sell the current inventory at the most recent sales pace – which was 4.2 months in August, down from 4.5 months a year ago. According to the NAR, anything less than 5.0 months is considered tight supply, a benchmark which hasn't been exceeded since November 2015. Despite the lack of options, demand for existing homes has remained remarkably strong, with August marking the fifth straight month where a typical listing was sold in under 30 days. Higher demand and a shift in the “mix” of homes sold toward more expensive properties has also driven up median prices, which have now risen for 66 consecutive months on a year-over-year basis. The strongest growth in sales over the past year is heavily skewed towards the most expensive homes, signaling that supply constraints may be disproportionately hitting the lower end of the market. Tough regulations on land use raise the fixed costs of housing, tilting development toward higher-end homes. The NAR suggests that strong demand could also be pushing some properties into higher brackets as multiple offers boost final sales prices. Although some analysts may be concerned about the impact of higher mortgage rates, it's important to recognize that rates are still low by historical standards, incomes are growing, and the appetite for homeownership is eventually going to move higher again.

Existing Home Sales	Aug-17		Jul-17	Jun-17	3-month	6-month	Yr to Yr
	% Ch.	level	level	level	moving avg.	moving ave.	% Change
<i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>							
Existing Home Sales	-1.7%	5350	5440	5510	5433	5530	0.2
Northeast	10.8%	720	650	760	710	732	1.4
Midwest	2.4%	1280	1250	1320	1283	1300	0.8
South	-5.7%	2150	2280	2230	2220	2285	-0.9
West	-4.8%	1200	1260	1200	1220	1213	0.8
Median Sales Price (\$, NSA)	-1.8%	253500	258100	263300	258300	251500	5.6

Source: National Association of Realtors