

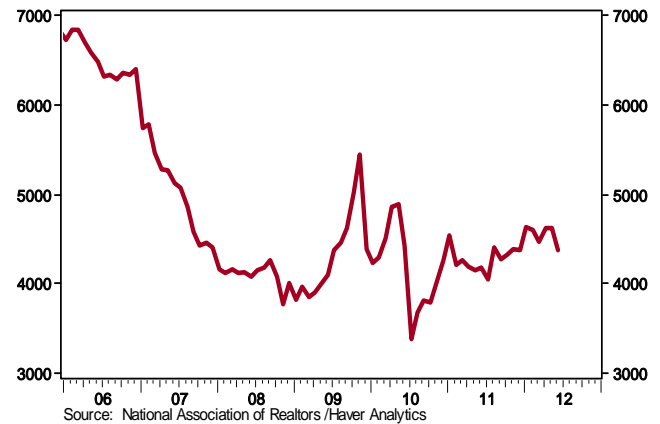
June Existing Home Sales

Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Senior Economist
Strider Elass – Economic Analyst

- Existing home sales fell 5.4% in June to an annual rate of 4.37 million units, coming in below the consensus expected 4.62 million units. Sales are up 4.5% versus a year ago.
- Sales in June were down in all major regions and the fall in sales was due to declines in both single-family and multi-family home sales.
- The median price of an existing home rose to \$189,400 in June (not seasonally adjusted), and is up 7.9% versus a year ago. Average prices are up 6.9% versus last year.
- The months' supply of existing homes (how long it would take to sell the entire inventory at the current sales rate) rose to 6.6 in June. Although inventories fell, the overall pace of sales was slower, raising the months' supply.

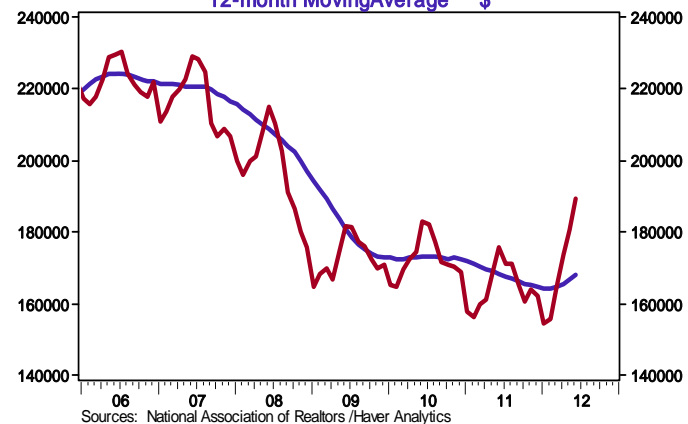
Implications: Existing home sales fell in June but still remain up 4.5% from a year ago. The decline in sales happened while inventories fell and prices rose, suggesting a lack of supply of homes on the market is holding back the pace of sales. Housing inventory fell in June to 2.39 million units available for sale, down 24.4% from a year ago. The median price of an existing home is up 7.9% from a year ago, the largest yearly gain since 2006, also in part due to fewer distressed sales and more sales of larger homes, a good sign for the economy moving forward. It still remains tough to buy a home. Despite record low mortgage rates, home buyers face very tight credit conditions. Tight credit conditions would also explain why all-cash transactions accounted for 29 percent of purchases in June versus a traditional share of about 10 percent. Those with cash are able to take advantage of home prices that are extremely low relative to fundamentals (such as rents and replacement costs); for them, it's a great time to buy. With credit conditions remaining tight, we don't expect a huge increase in home sales any time soon, but the housing market is definitely on the mend. In other news this morning, new claims for unemployment insurance increased 24,000 last week to 386,000. The increase comes after a sharp decline the prior week and both large moves are related to shifts in the timing of retooling at auto plants. In other words, we still have to wait for the underlying trend to reveal itself. Continuing claims for regular state benefits increased 1,000 and are at 3.31 million. On the manufacturing front, the Philadelphia Fed index, a measure of factory activity in that area, rose to -12.9 in July from -16.6 in June. This stands in stark contrast to the Empire State Manufacturing survey for New York that showed 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	Jun-12		May-12	Apr-12	3-month	6-month	Yr to Yr % Change
	% Ch.	level					
<i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>							
Existing Home Sales	-5.4%	4370	4620	4620	4537	4552	4.5
Northeast	-11.5%	540	610	620	590	592	1.9
Midwest	-1.9%	1020	1040	1030	1030	1023	14.6
South	-4.4%	1730	1810	1790	1777	1765	5.5
West	-6.9%	1080	1160	1180	1140	1172	-3.6
Median Sales Price (\$, NSA)	5.0%	189400	180300	173700	181133	169733	7.9

Source: National Association of Realtors