

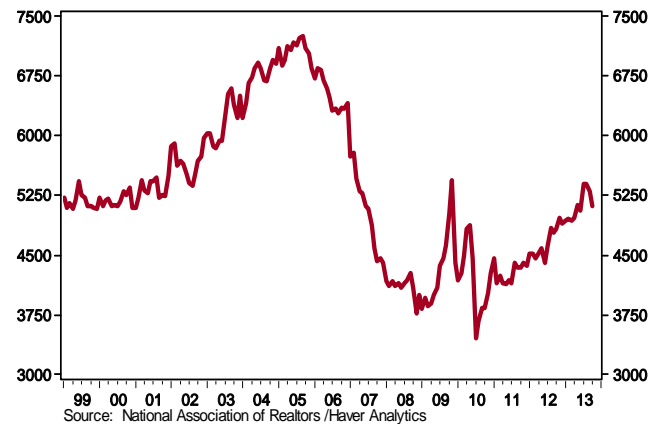
October Existing Home Sales

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

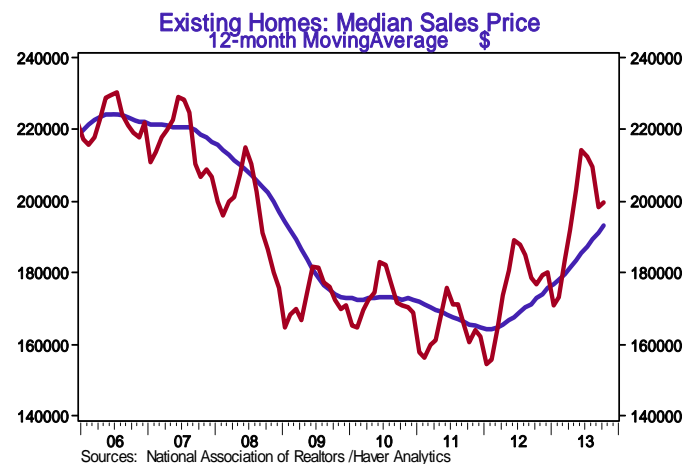
- Existing home sales declined 3.2% in October to a 5.12 million annual rate, coming in very close to the consensus expected 5.14 million rate. Sales are up 6.0% versus a year ago.
- Sales in October were down in all major regions of the country. The decline in sales was due to single family homes. Sales of condos/coops rose.
- The median price of an existing home increased to \$199,500 in October (not seasonally adjusted) and is up 12.8% versus a year ago. Average prices are up 11.1% versus last year.
- The months' supply of existing homes (how long it would take to sell the entire inventory at the current sales rate) ticked up to 5.0 months in October. The increase in the months' supply was all due to the slower selling pace; overall inventories declined slightly.

Implications: Existing home sales slipped 3.2% in October, coming in almost exactly as the consensus expected. Some analysts are saying the decline signals a slowdown in the housing recovery, but these fears are way overblown. Sales in October look to have been slightly affected by the government shutdown as some closings were delayed because income could not be verified by the IRS. For this reason, we expect a nice pop in sales in November. Even with this temporary issue, October's level was the fifth highest for any month since the homebuyer tax credit was about to expire in late 2009. Keep in mind with all of the recent existing home sales data that realtors have noted a lack of inventory is also holding down sales. As the top chart to the right shows, this kind of statistical noise is no different than what we've been experiencing since the recovery in home sales started in earnest 2010/11. We also do not expect higher mortgage rates to undermine the recovery. Higher rates reflect expectations of faster economic growth and rising home prices will make buyers more willing to buy than back when mortgage rates were lower but buyers thought home prices might fall further. The months' supply of existing homes (how long it would take to sell the entire inventory at the current selling rate) ticked up to 5.0 in October but this is still lower than a year ago (5.2) and much lower than two years ago (7.6). The median sales price of an existing home rose 0.5% and is up a whopping 12.8% from a year ago. We expect continued price appreciation in the years ahead, but as more inventory enters the market the year over year gains will not be as robust. In other housing news, earlier this week the NAHB index, which measures confidence among home builders, came in at 54 in November, unchanged from October, and is still hovering around the highest levels in eight years.

NAR Total Existing Home Sales, United States
 SAAR, Thous



Existing Homes: Median Sales Price



Existing Home Sales	Oct-13		Sep-13	Aug-13	3-month	6-month	Yr to Yr % Change
	%Ch.	level					
<i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>							
Existing Home Sales	-3.2%	5120	5290	5390	5267	5232	6.0
Northeast	-2.9%	670	690	710	690	675	11.7
Midwest	-1.6%	1220	1240	1320	1260	1247	8.0
South	-1.9%	2060	2100	2130	2097	2078	7.3
West	-7.1%	1170	1260	1230	1220	1232	-0.8
Median Sales Price (\$, NSA)	0.5%	199500	198500	209700	202567	206200	12.8

Source: National Association of Realtors