

May Existing Home Sales

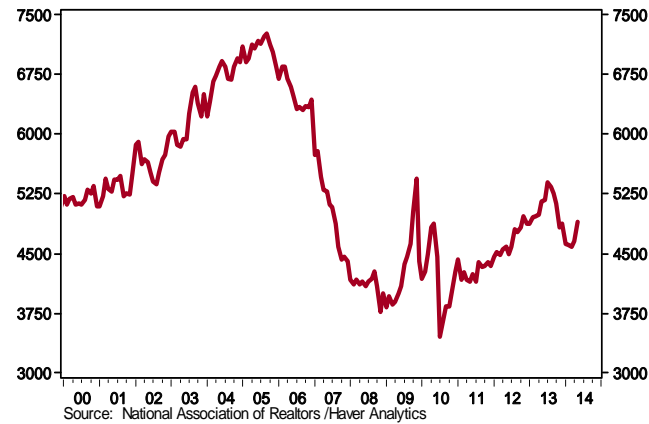
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- Existing home sales increased 4.9% in May to a 4.89 million annual rate, easily beating the consensus expected 4.74 million rate. Sales are down 5.0% versus a year ago.
- Sales in May were up in all regions, led by the Midwest and the South. The increase in sales was due to higher sales of single-family homes. Sales of condos/coops were unchanged.
- The median price of an existing home rose to \$213,400 in May (not seasonally adjusted) and is up 5.1% versus a year ago. Average prices are up 3.8% 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 5.6 months in May. The decrease in the months' supply was all due to the faster selling pace; overall inventories rose slightly.

Implications: Existing home sales increased 4.9% in May to a 4.89 million annual rate, well above consensus expectations. Sales are still hovering just below the average level of the past two years, but we think the gains of the past couple of months are the start of a new upward trend. The best news in today's report is that a lack of inventory, which has been a major culprit behind slow sales, seems to be changing. Inventories continued to increase in May and are now up 6% versus a year ago. More inventory should help spur sales in the months ahead. One key reason for growing inventories is that home prices continue to move higher (median prices for existing homes are up 5.1% from a year ago). In other words, recovering home prices are getting more potential sellers into the market, which will increase sales. Either way, whether existing home sales are up or down, these data should not change anyone's impression about the overall economy. Remember, existing home sales contribute almost zero to GDP. Also, despite recent gains in sales, credit remains tight, making it relatively hard to get a mortgage. This explains why 32% of all sales in May were all-cash transactions. However, we do not believe higher mortgage rates are noticeably holding back sales. The US had a bubble in housing during 2003-05, when 30-year mortgage rates averaged 5.8%. Today they are 4.2%. We remain convinced that the underlying trend for housing remains upward.

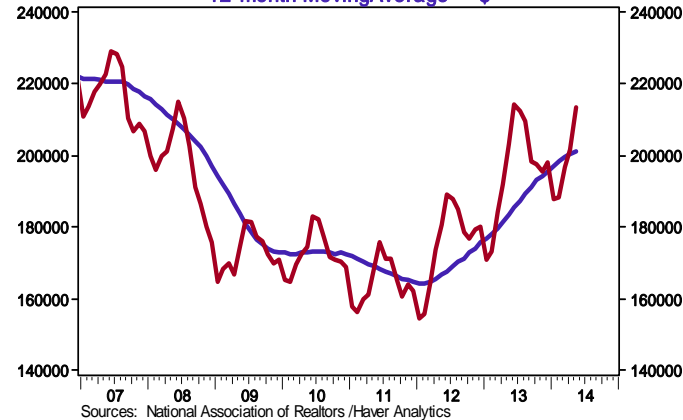
NAR Total Existing Home Sales, United States

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Existing Homes: Median Sales Price

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 12-month Moving Average



Existing Home Sales	May-14		Apr-14	Mar-14	3-month	6-month	Yr to Yr	
	Seasonally Adjusted Unless Noted, Levels in Thous.	%Ch.						level
Existing Home Sales		4.9%	4890	4660	4590	4713	4705	-5.0
Northeast		3.3%	620	600	600	607	605	-3.1
Midwest		8.7%	1130	1040	1040	1070	1062	-7.4
South		5.7%	2050	1940	1920	1970	1977	-0.5
West		0.9%	1090	1080	1030	1067	1062	-11.4
Median Sales Price (\$, NSA)		5.9%	213400	201500	196700	203867	197583	5.1

Source: National Association of Realtors