

July Existing Home Sales

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

- Existing home sales increased 2.0% in July to a 5.59 million annual rate, easily beating the consensus expected 5.43 million. Sales are up 10.3% versus a year ago.
- Sales rose in the South and the West, remained unchanged in the Midwest, and declined in the Northeast. The increase in sales was all due to single-family homes. Sales of condos/coops declined in July.
- The median price of an existing home fell to \$234,000 in July (not seasonally adjusted) but is up 5.6% versus a year ago. Average prices are up 3.9% versus last year.
- The months' supply of existing homes (how long it would take to sell the entire inventory at the current sales rate) fell to 4.8 months in July from 4.9 in June. This was due to a faster sales pace as well as a decline in inventories.

Implications: Despite tight inventories and rising prices, sales of existing homes surprised to the upside in July. Sales of previously owned homes increased to a 5.59 million annual rate in July, rising for a 3rd consecutive month (and up in five of the last six) and marking the fastest pace of sales since 2007. Sales have now increased year over year for 10 consecutive months and we expect the trend to continue. All-cash buyers accounted for 23% of sales in July, down from 29% a year ago. As a result, while total sales are up a healthy 10.3% from a year ago, non-cash sales (where the buyer uses a mortgage loan) are up a more robust 19.6%. So when all-cash sales eventually bottom out, total sales will start rising at a more rapid pace. The gain in mortgage-financed sales suggests a long-overdue thaw in lending. What's interesting is that the percentage of buyers using credit has increased as the Fed tapered and then ended QE. Those predicting a housing crash without more QE were completely wrong. In fact, the looming rate hike appears to be increasing the pace of sales, as buyers look to lock in terms before borrowing costs move higher. However, tight supply and high prices continue to generate headwinds. We believe this will be remedied as more inventory comes to market in the year ahead through "on-the-fence" sellers moving to take advantage of higher prices. In other news this morning, new claims for jobless benefits rose 4,000 last week to 277,000. Continuing claims fell 16,000 to 2.25 million. Initial claims have now been below 300,000 for 24 straight weeks. Plugging these figures into our models suggest the first report on nonfarm payrolls for August will show a gain of 195,000 with healthy upward revisions in the months to follow. This positive sentiment was echoed by the Philadelphia Fed index, a measure of strength in East Coast manufacturing, which increased to 8.3 in August from 5.7 in July. All signs point to continued Plow Horse growth.

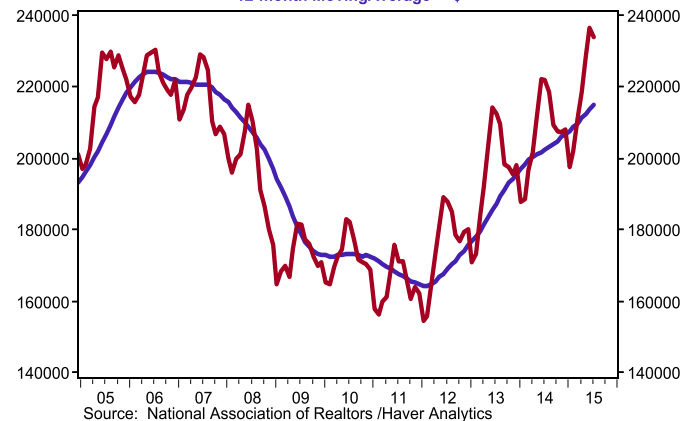
NAR Total Existing Home Sales, United States

SAAR, Thous



Existing Homes: Median Sales Price

12-month Moving Average \$



Existing Home Sales <i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>	Jul-15		Jun-15	May-15	3-month	6-month	Yr to Yr % Change
	% Ch.	level					
Existing Home Sales	2.0%	5590	5480	5320	5463	5263	10.3
Northeast	-2.8%	700	720	690	703	658	9.4
Midwest	0.0%	1320	1320	1270	1303	1237	10.9
South	4.1%	2290	2200	2150	2213	2172	9.6
West	3.2%	1280	1240	1210	1243	1197	11.3
Median Sales Price (\$, NSA)	-1.0%	234000	236300	228900	233067	221750	5.6

Source: National Association of Realtors