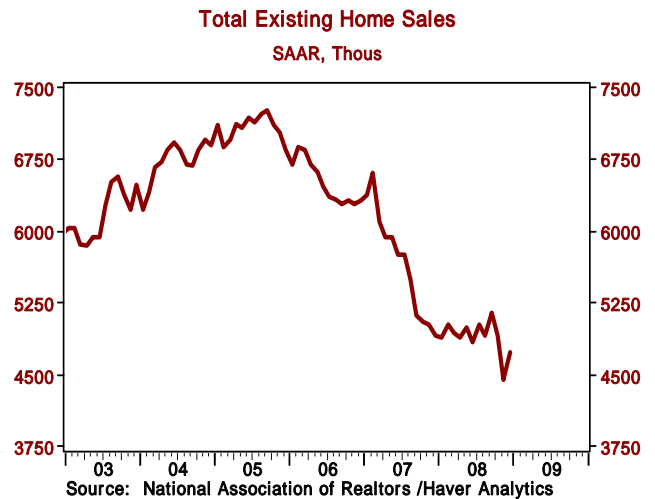


DECEMBER EXISTING HOME SALES

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- Existing home sales increased 6.5% in December to an annual rate of 4.74 million, beating the consensus expected selling rate of 4.40 million. Existing home sales are down 3.5% versus a year ago.
- Sales were up substantially in the West and South, up in the Midwest, and down slightly in the Northeast. Almost all the increase in sales was due to single-family units, but sales of condos/co-ops were also up slightly.
- The median price of an existing home declined to \$175,400 in December (not seasonally adjusted) and is down 15.3% versus a year ago. Single-family home prices are down 14.8% versus last year, the largest decline on record, going back to the late 1960s.
- The months' supply of existing homes (at the current sales rate) fell to 9.3 in December from 11.2 in November. The months' supply of single-family homes dropped to 8.7 in December from 10.6 in November. These declines were due to both a faster sales pace and a decline in the number of homes for sale.



Implications: Existing home sales rebounded in December after a large drop in November. Prices on existing homes continued to fall rapidly and are now down 15.3% versus a year ago. Even worse year-ago price comparisons are looming over the next six months. However, the most important news in the report was that the inventory of existing homes for sale fell 487,000 in December to 3.676 million, the lowest level since January 2007. This inventory is down 899,000 in the last five months from the all-time peak in July 2008. Declining inventories are a necessary ingredient for an eventual housing recovery. It is important to note that existing home sales are counted at closing, the final step of the home-buying process (as opposed to new home sales, which represent initial contracts placed on homes). As a result, the huge drop in sales in November was likely a reflection of the intense risk-aversion hysteria that hit the US in September, back around the Lehman Brothers bankruptcy. We think November was the bottom for existing home sales.

Existing Home Sales <i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>	Dec-08		Nov-08	Oct-08	3-month moving avg.	6-month moving avg.	Yr to Yr % Change
	% Ch.	level					
Existing Home Sales	6.5%	4740	4450	4910	4700	4862	-3.5
Northeast	-1.4%	720	730	830	760	812	-14.3
Midwest	4.0%	1040	1000	1080	1040	1093	-10.3
South	7.4%	1740	1620	1840	1733	1802	-11.2
West	13.6%	1250	1100	1170	1173	1158	31.6
Median Sales Price (\$, NSA)	-2.7%	175400	180300	186500	180733	191167	-15.3

Source: National Association of Realtors