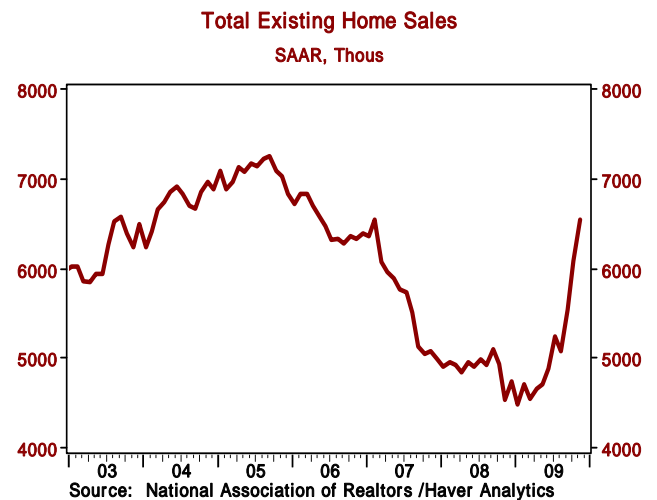


NOVEMBER EXISTING HOME SALES

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- Existing home sales soared 7.4% in November to an annual rate of 6.54 million, easily beating the consensus expected pace of 6.25 million. Existing home sales are up 44.1% versus a year ago.
- Sales were up in every major region of the country. All of the increase in sales was due to single-family homes. Sales of condos/co-ops were unchanged.
- The median price of an existing home ticked up to \$172,600 in November (not seasonally adjusted) but is down 4.3% versus a year ago. This is a large improvement since January, when prices were down 17.5% versus the prior year.
- The months' supply of existing homes (how long it would take to sell the entire inventory, at the current sales rate) declined to 6.5 from 7.0 in October. The drop in the months' supply was mostly due to the faster pace of sales. Inventories declined slightly, all due to condos/coops.

Implications: Existing home sales surged again in November and are up 28.5% in the past three months. The level of sales is now higher than it ever was before 2003. Even better, inventories continue to decline, falling to 3.52 million, the lowest level since December 2006. The months' supply of homes is now down to 6.5 versus a peak of 11.3 in 2008. Many economists were saying last year that we could not have a robust economic recovery without a recovery in the housing market. Clearly, the housing market is now in recovery, with sales, home building, and home prices all moving upward over the past several months. Although some analysts will attribute most of (if not all of) the sales surge to the federal government's new homebuyer tax credit, we think the primary reason for better sales is the realization that buying a home is now remarkably inexpensive relative to renting. Home prices are down substantially from a few years ago and interest rates are extremely low. Meanwhile, potential homebuyers no longer need to fear widespread deep national home price declines and should expect modest price gains in most of the country over the next couple of years. In other news this morning, prices for homes financed by conforming mortgages increased 0.6% in October. Also, the Richmond Fed index, a measure of manufacturing in the mid-Atlantic region, fell into negative territory in December, breaking a string of seven straight positive readings that signaled expansion. However, the survey also showed firms getting more bullish about manufacturing shipments and orders in the next six months.



| Existing Home Sales <i>Seasonally Adjusted Unless Noted, Levels in Thous.</i> | Nov-09 | | Oct-09 | Sep-09 | 3-month moving avg. | 6-month moving avg. | Yr to Yr % Change |
|--|--------|--------|--------|--------|------------------------|------------------------|----------------------|
| | % Ch. | level | | | | | |
| Existing Home Sales | 7.4% | 6540 | 6090 | 5540 | 6057 | 5565 | 44.1 |
| Northeast | 6.6% | 1130 | 1060 | 950 | 1047 | 967 | 52.7 |
| Midwest | 8.4% | 1550 | 1430 | 1250 | 1410 | 1282 | 53.5 |
| South | 4.8% | 2390 | 2280 | 2040 | 2237 | 2062 | 44.8 |
| West | 10.6% | 1460 | 1320 | 1290 | 1357 | 1250 | 28.1 |
| Median Sales Price (\$, NSA) | 0.2% | 172600 | 172200 | 176000 | 173600 | 176933 | -4.3 |

Source: National Association of Realtors