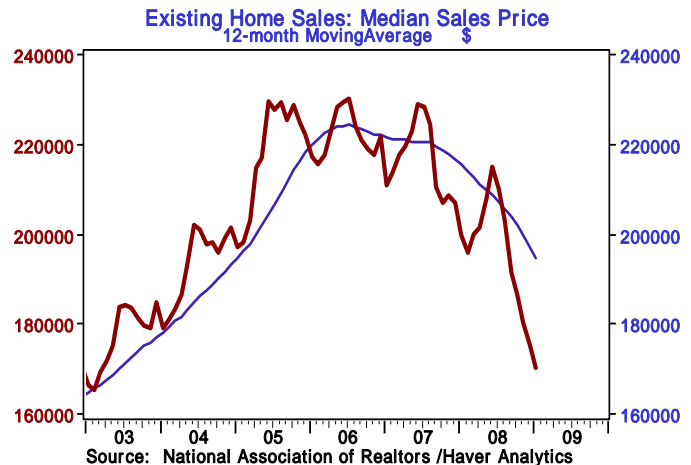
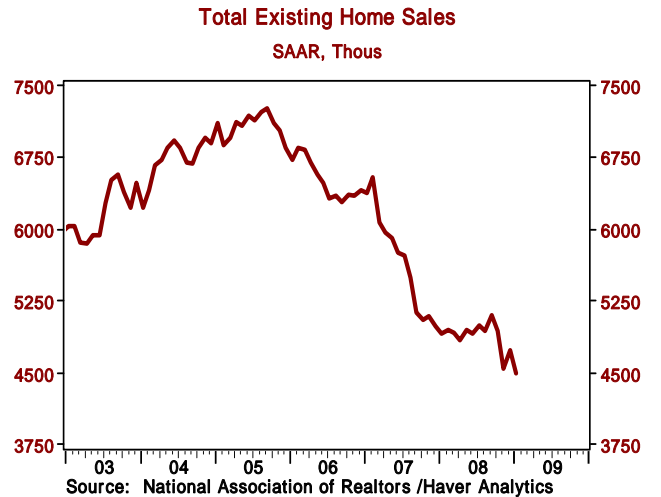


JANUARY EXISTING HOME SALES

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- Existing home sales declined 5.3% in January to an annual rate of 4.49 million. The consensus expected a sales rate of 4.79 million. Existing home sales are down 8.6 % versus a year ago.
- Sales were down in the Northeast, Midwest, and South, but unchanged in the West. Sales fell for both single-family units and condos/co-ops.
- The median price of an existing home declined to \$170,300 in January (not seasonally adjusted) and is down 14.8% versus a year ago.
- The months' supply of existing homes (at the current sales rate) rose to 9.6 in January from 9.4 in December. The increase in the months' supply was all due to the slower selling pace for single-family homes. The raw inventory of single family homes declined as did the months' supply of condos/co-ops.

Implications: The existing homes report for January was much better than the immediate stock market reaction suggested. Although existing home sales dropped 5.3%, it is important to remember that these sales are counted when contracts are signed. Therefore, January sales reflect contracts written in the fall and early winter when the economy and financial system were still in their most intense period of risk aversion hysteria. More than anything, the housing market needs to work off excess inventories, and that continued in January. Existing home inventories peaked at about 4.6 million in July. Now the inventory is 3.6 million. In other housing news, yesterday's two reports on December prices gave very different results. The Case-Shiller price index, which focuses on homes in major metro areas, declined 2% in December and is down 18.5% versus a year ago. The Federal Housing Finance Agency (FHFA), which focuses on homes with conforming mortgages, showed a price gain of 0.1% in December, the first increase in ten months, but is down 8.7% versus a year ago. We expect home price declines to continue on a national average basis through the end of the year, with losses of roughly 10% (greater using the Case-Shiller index, smaller using the FHFA measure). However, declines will be dominated by California, Florida, Arizona, Nevada, and Michigan. Many other areas are already very close to a bottom or have already hit bottom.



Existing Home Sales <i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>	Jan-09		Dec-08	Nov-08	3-month moving avg.	6-month moving avg.	Yr to Yr % Change
	% Ch.	level					
Existing Home Sales	-5.3%	4490	4740	4540	4590	4790	-8.6
Northeast	-14.7%	640	750	740	710	778	-23.8
Midwest	-5.7%	1000	1060	1010	1023	1080	-16.7
South	-5.7%	1640	1740	1650	1677	1763	-15.9
West	0.0%	1200	1200	1140	1180	1170	29.0
Median Sales Price (\$, NSA)	-3.1%	170300	175700	180300	175433	184550	-14.8

Source: National Association of Realtors