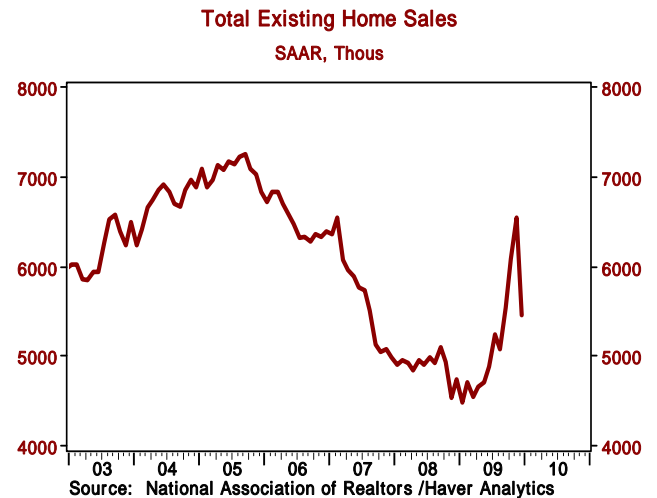


# DECEMBER EXISTING HOME SALES

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- Existing home sales fell 16.7% in December to an annual rate of 5.45 million, coming in below the consensus expected pace of 5.90 million. Existing home sales are up 15.0% versus a year ago.
- Sales were down in every major region of the country. The decrease in sales was due to decreases in both single-family homes and sales of condos/co-ops.
- The median price of an existing home increased to \$178,300 in December (not seasonally adjusted) and is up 1.5% versus a year ago. This is a huge 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) increased to 7.2 from 6.5 in November. The increase in the months' supply was all due to the slower pace of sales. Inventories declined for single family homes, but slightly increased for condos/coops.



**Implications:** Existing home sales plummeted in December, falling a record 16.7%. The drop in closings is a temporary hangover from the homebuyer tax credit, which many thought was going to expire in November. A lower number was expected and is consistent with the recent decline in pending home sales. But even with this ugly number there were some important silver linings in the report. The level of sales still remains higher than it ever was before 2001. Even better, inventories continue to decline, falling to 3.29 million, the lowest level since March 2006. Although the months' supply of homes increased, this was all due to a slower pace of sales. Meanwhile, home prices are also showing resilience coming in at \$178,300, 1.5% higher than a year ago, and the best year-ago comparison since 2006. We still believe home sales have hit bottom and will continue in an upward trend for three reasons. Home prices are much lower than they were four years ago, interest rates remain extremely low and potential homebuyers should expect modest price gains in most of the country over the next couple of years. In other news this morning, the Dallas Federal Reserve Index, a measure of manufacturing activity in Texas, increased to +8.3% in January, the eleventh consecutive increase and the highest level since mid-2007.



Existing Home Sales <i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>	Dec-09		Nov-09	Oct-09	3-month	6-month	Yr to Yr
	%Ch.	level					
<b>Existing Home Sales</b>	-16.7%	5450	6540	6090	6027	5658	15.0
<b>Northeast</b>	-19.5%	910	1130	1060	1033	982	21.3
<b>Midwest</b>	-25.8%	1150	1550	1430	1377	1290	8.5
<b>South</b>	-16.3%	2010	2400	2280	2230	2095	15.5
<b>West</b>	-4.8%	1380	1450	1320	1383	1287	15.0
<b>Median Sales Price (\$, NSA)</b>	4.9%	178300	170000	172200	173500	175883	1.5

Source: National Association of Realtors