

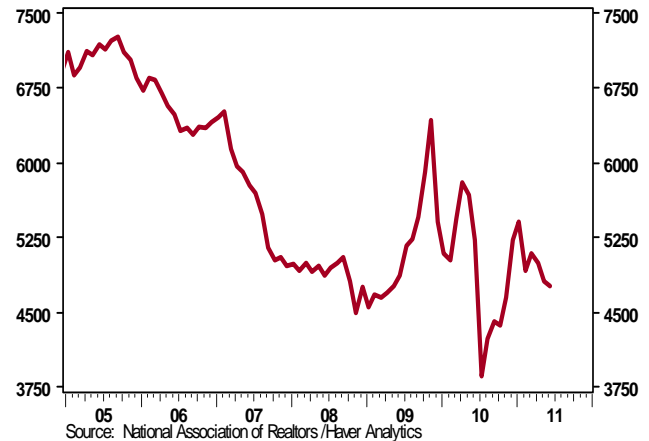
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June Existing Home Sales

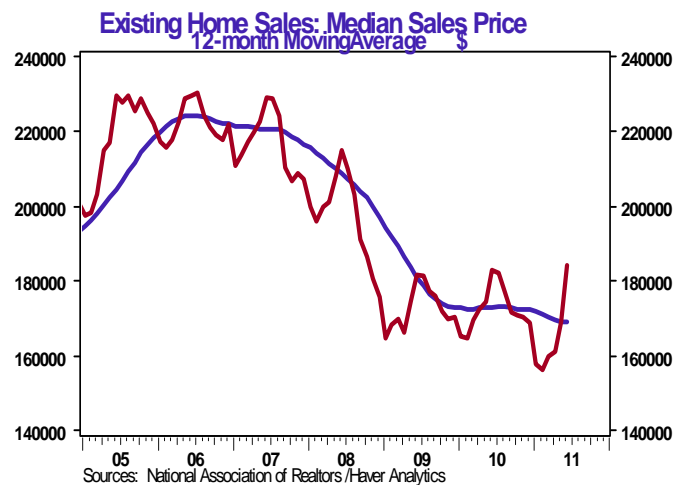
- Existing home sales declined 0.8% in June to an annual rate of 4.77 million units, coming in below the consensus expected pace of 4.90 million units. Existing home sales are down 8.8% versus a year ago.
- Sales in June were down in the Northeast and West, but up in the Midwest and South. All of the decline in sales was due to condos/coops; single-family sales were unchanged.
- The median price of an existing home rose to \$184,300 in June (not seasonally adjusted), and is now up 0.8% versus a year ago. Average prices are up 2.7% versus last year.
- The months' supply of existing homes (how long it would take to sell the entire inventory at the current sales rate) rose to 9.5 from 9.1 in May. The increase in the months' supply was mostly due to an increase in single family inventories. The slowdown in the pace of sales also boosted the months' supply.

Implications: Sales of existing homes fell to a seven-month low in June. The National Association of Realtors said that cancelled contracts to buy existing homes increased to 16% in June from a more typical 9% - 10% over the past year. The NAR did not have an explanation for this spike in cancellations, but it could be due to tough credit conditions. Anyone who has taken out a mortgage lately knows the lending process can be brutal, even for those willing and able to make a down-payment of 20%. No wonder cash transactions now account for about 29% of sales, versus a traditional share of 10%. The silver lining in today's report was that median existing home prices are up 0.8% from a year ago and average prices are up 2.7%. Going into the second half of the year, we anticipate a rise in the pace of sales. After dropping 11.3% in April, pending home sales (contracts on existing homes) increased 8.2% in May. This should translate into a gain in closings in July. Meanwhile, worker pay is rising, job growth should be reaccelerating, mortgage rates remain very low, and home prices are extremely attractive. As a result of these factors, housing affordability remains close to all-time highs. Meanwhile, rental vacancies are falling fast, which will eventually spur enough rent increases to make home ownership more attractive. Although the process will be slow and volatile, we still expect sales of existing homes to climb back to a long-term trend of about 5.5 million units annually.

NAR Total Existing Home Sales, United States
 SAAR, Thous



Existing Home Sales: Median Sales Price



| Existing Home Sales <i>Seasonally Adjusted Unless Noted, Levels in Thous.</i> | Jun-11 | | May-11 | Apr-11 | 3-month | 6-month | Yr to Yr % Change |
|--|--------|--------|--------|--------|---------|---------|----------------------|
| | % Ch. | level | | | | | |
| Existing Home Sales | -0.8% | 4770 | 4810 | 5000 | 4860 | 4998 | -8.8 |
| Northeast | -5.2% | 730 | 770 | 790 | 763 | 782 | -17.0 |
| Midwest | 1.0% | 1040 | 1030 | 1090 | 1053 | 1070 | -14.0 |
| South | 0.5% | 1860 | 1850 | 1950 | 1887 | 1920 | -5.6 |
| West | -1.7% | 1140 | 1160 | 1170 | 1157 | 1227 | -2.6 |
| Median Sales Price (\$, NSA) | 8.9% | 184300 | 169300 | 161100 | 171567 | 164750 | 0.8 |

Source: National Association of Realtors