

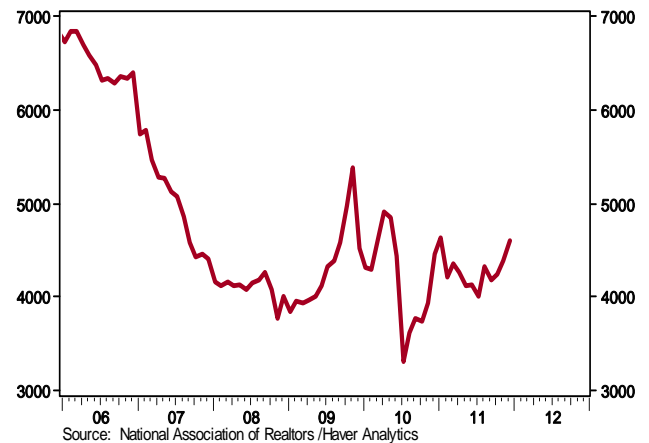
December Existing Home Sales

Brian S. Wesbury – Chief Economist
 Robert Stein, CFA – Senior Economist
 Strider Elass – Economic Analyst

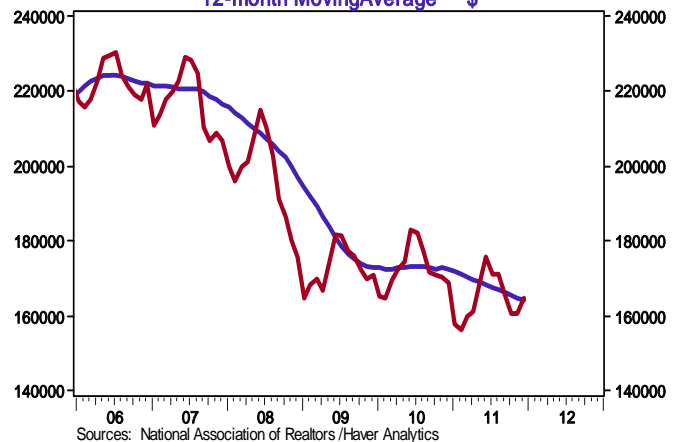
- Existing home sales increased 5.0% in December to an annual rate of 4.61 million units, below the consensus expected pace of 4.65 million units. Existing home sales are up 3.6% versus a year ago.
- Sales in December were up in all major regions of the country. Most of the increase in overall sales was due to single-family homes; sales of condos/coops also rose for the month.
- The median price of an existing home increased to \$164,500 in December (not seasonally adjusted), but is down 2.5% versus a year ago. Average prices are down 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) fell to 6.2 in December from 7.2 last month. The decline in the months' supply was due to both a faster pace of sales and a drop in the inventory of homes for sale.

Implications: The healing in the housing market is further along than previously thought. Existing home sales increased 5% in December, the third consecutive gain, to the highest level since January 2011. More importantly, the inventory of existing homes is down 21% versus last year and at the lowest level since 2005. As a result, the months' supply of unsold homes is down to 6.2, the lowest since April 2006. Even with this great news the National Association of Realtors said cancelled contracts to buy existing homes remained at 33% in December, which is three times the normal level. These figures suggest that, despite record low mortgage rates, home buyers still face very tight credit conditions. Tight credit conditions would also explain why all-cash transactions accounted for 31 percent of purchases in December versus a traditional share of about 10 percent. Those with cash are able to take advantage of home prices that are extremely low relative to fundamentals (such as rents and replacement costs); for them, it's a great time to buy. With credit conditions likely to remain tight for some time, we don't expect a huge increase in home sales any time soon, but, given declining inventories, the housing market is definitely on the mend.

NAR Total Existing Home Sales, United States
 SAAR, Thous



Existing Home Sales: Median Sales Price
 Existing Home Sales: Median Sales Price
 12-month Moving Average



Existing Home Sales <i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>	Dec-11		Nov-11	Oct-11	3-month	6-month	Yr to Yr % Change
	% Ch.	level					
Existing Home Sales	5.0%	4610	4390	4250	4417	4293	3.6
Northeast	10.7%	620	560	510	563	547	3.3
Midwest	8.3%	1040	960	920	973	942	9.5
South	2.9%	1760	1710	1700	1723	1692	3.5
West	2.6%	1190	1160	1120	1157	1113	-0.8
Median Sales Price (\$, NSA)	2.3%	164500	160800	160800	162033	165633	-2.5

Source: National Association of Realtors