

# May Existing Home Sales

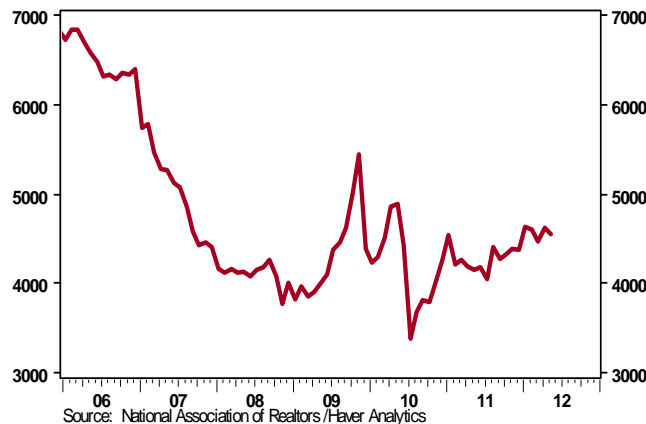
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- Existing home sales fell 1.5% in May to an annual rate of 4.55 million units; basically matching the consensus expected 4.57 million units. Sales are up 9.6% versus a year ago.
- Sales in May were down in the Northeast, West and South, but up in the Midwest. The fall in overall sales was due to declines in both single-family and multi-family home sales.
- The median price of an existing home rose to \$182,600 in May (not seasonally adjusted), and is up 7.9% versus a year ago. Average prices are up 6.4% 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 6.6 in May. Although inventories fell, the overall pace of sales was slower, raising the months' supply.

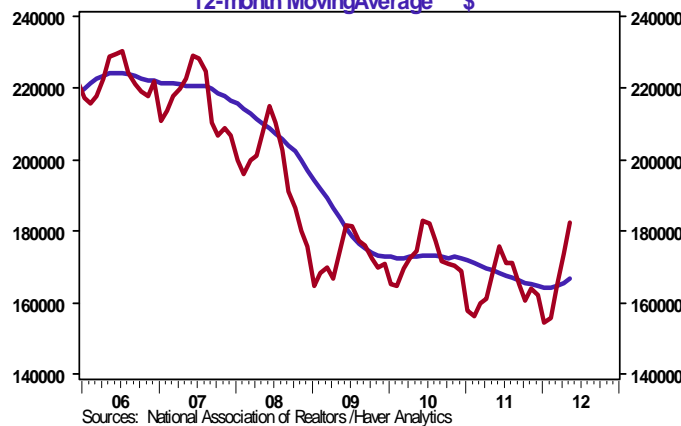
**Implications:** The housing recovery continues. Although existing home sales fell 1.5% in May, sales are still up 9.6% from a year ago. The median price of an existing home is up 7.9% from a year ago, the largest yearly gain since 2006 and the third consecutive month of year-to-year gains. Price gains were, at least in part, due to fewer distressed sales and more sales of larger homes, a good sign for the economy moving forward. It still remains tough to buy a home. 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 28 percent of purchases in May 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 remaining tight, we don't expect a huge increase in home sales any time soon, but the housing market is definitely on the mend. In other housing news this morning, the FHFA index, a price measure for homes financed by conforming mortgages, was up 0.8% in April (seasonally-adjusted). Prices are up 2.4% in the past two months alone. This is the fastest 2-month gain anytime on record, going back to 1991, even including the housing boom!

Today's news on manufacturing was not as good. The Philadelphia Fed index fell to -16.6 in June from -5.8 in May. Some view this dip as a recession sign, but the Philly Fed Index fell to -20 in August 2011 and the Plow Horse Economy's real GDP still grew at a 1.8% annual rate in that quarter, so it does not mean we're in a recession. More likely, the report reflects concerns about Europe, rather than actual changes in activity. Meanwhile, new claims for unemployment insurance dipped 2,000 last week to 387,000 while continuing claims were unchanged at 3.30 million. These figures suggest tepid payroll growth in June: 45,000 nonfarm and 55,000 private. We think some firms are waiting for the health care ruling to decide how many workers to hire.

**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	May-12		Apr-12	Mar-12	3-month	6-month	Yr to Yr
	% Ch.	level					
<i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>							
<b>Existing Home Sales</b>	-1.5%	4550	4620	4470	4547	4542	9.6
<b>Northeast</b>	-4.8%	590	620	590	600	595	7.3
<b>Midwest</b>	1.0%	1040	1030	1020	1030	1015	19.5
<b>South</b>	-0.6%	1780	1790	1730	1767	1755	9.2
<b>West</b>	-3.4%	1140	1180	1130	1150	1177	3.6
<b>Median Sales Price (\$, NSA)</b>	5.1%	182600	173700	164800	173700	165583	7.9

Source: National Association of Realtors