

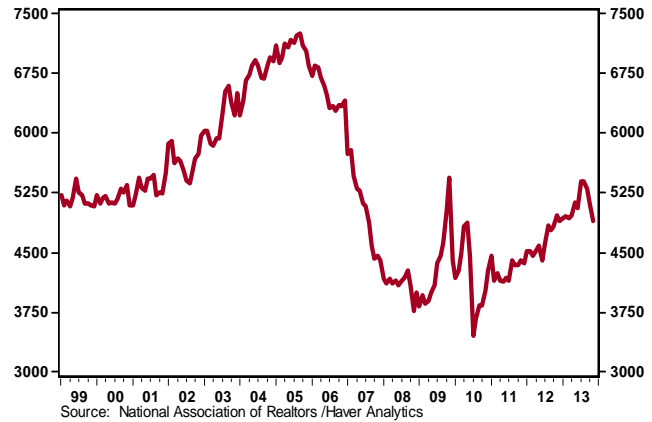
November Existing Home Sales

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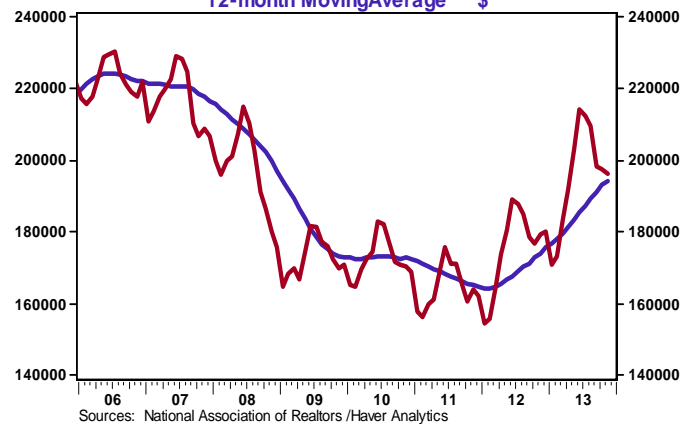
- Existing home sales declined 4.3% in November to a 4.90 million annual rate, coming in below the consensus expected 5.02 million rate. Sales are down 1.2% versus a year ago.
- Sales in November were down in all major regions of the country. The decline in sales was due to both lower sales of single family homes and condos/coops.
- The median price of an existing home declined to \$196,300 in November (not seasonally adjusted) but is up 9.4% versus a year ago. Average prices are up 7.3% versus last year.
- The months' supply of existing homes (how long it would take to sell the entire inventory at the current sales rate) ticked up to 5.1 months in November. The increase in the months' supply was all due to the slower selling pace; overall inventories declined slightly.

Implications: Existing home sales slipped 4.3% in November. Is this the end of the housing recovery? We do not think so for a couple reasons. Realtors have noted a lack of inventory is holding down sales. This could be leading some who would have purchased an existing home to purchase a new home instead. We also do not believe higher mortgage rates are holding back sales. Since August, when many started complaining that interest rates were going to kill housing, new home sales are up 19% in the three months since July while existing home sales are down 9.1% in the four months since July. If higher mortgage rates were hurting sales, shouldn't we see it manifest in lower sales in both the new and existing home markets? So far, we have not seen this, so there must be another reason. Existing home sales are calculated when a home closes, New homes are calculated when a home goes under contract. That means for November, most of these existing homes would have gone under contract in September and October. In October, during the government shutdown, some closings were delayed because income could not be verified by the IRS. For this reason, we expect a rebound in sales over the coming months. Existing home sales contribute almost zero GDP, so there will be no noticeable negative effect in Q4 from this temporary slowdown in sales. In other news this morning, new claims for unemployment benefits increased 10,000 last week to 379,000. Continuing claims for regular state benefits increased 94,000 to 2.88 million. Claims data are often volatile between Thanksgiving and Christmas and this year is following that pattern. Look for a large drop in claims by early in the new year. It's still early, but plugging recent data into payroll models suggests a gain of about 130,000 jobs in December, both nonfarm and private. On the manufacturing front, the Philly Fed index, a measure of factory sentiment in that region, rose to +7.0 in December from +6.5 in November. The index has remained positive for seven consecutive months, signaling continued expansion in the manufacturing sector.

NAR Total Existing Home Sales, United States
 SAAR, Thous



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



Existing Home Sales	Nov-13		Oct-13	Sep-13	3-month	6-month	Yr to Yr
	%Ch.	level					
<i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>							
Existing Home Sales	-4.3%	4900	5120	5290	5103	5192	-1.2
Northeast	-3.0%	650	670	690	670	677	6.6
Midwest	-4.1%	1170	1220	1240	1210	1240	0.0
South	-2.4%	2010	2060	2100	2057	2070	1.0
West	-8.5%	1070	1170	1260	1167	1205	-10.1
Median Sales Price (\$, NSA)	-0.6%	196300	197500	198500	197433	204733	9.4

This report was based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.

Source: National Association of Realtors prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is