

February Existing Home Sales

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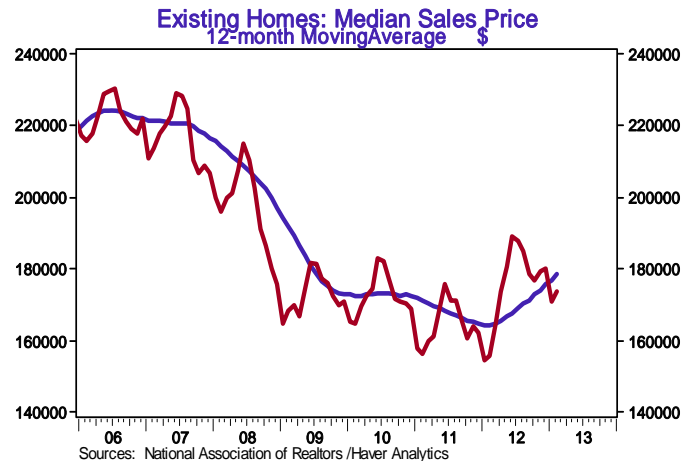
- Existing home sales rose 0.8% in February to an annual rate of 4.98 million units, basically matching the consensus expected 5.00 million rate. Sales are up 10.2% versus a year ago.
- Sales in February were up in the South and West, but were down in the Northeast and Midwest. The rise in sales was due to a faster sales pace for condo/coops. Sales of single-family homes fell very slightly.
- The median price of an existing home rose to \$173,600 in February (not seasonally adjusted), and is up 11.6% versus a year ago. Average prices are up 9.7% 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 4.7 in February from 4.3 in January. The rise in the months' supply was completely due to higher inventories for single-family homes and condo/co-ops.

Implications: Existing home sales rose slightly in February coming in at the highest sales pace since November 2009, when sales were artificially boosted by an \$8,000 homebuyer tax credit. Sales are up 10.2% from a year ago. Although the inventory of existing homes rose for the first time in six months, they are still down 19.2% from a year ago. Because of the increase in inventories, the months' supply of homes (how long it would take to sell the entire inventory at the current selling rate) rose to 4.7. Some of the increase in inventories is probably due to higher prices getting fence-sitting potential sellers into the market. Regardless, this is not a sign of trouble. Just a year ago, the months' supply was 6.4. The 11.6% gain in median prices versus a year ago can be attributed to a couple of factors. First, lower inventories while demand is picking up. Second, fewer distressed sales and more sales of larger homes. This can be seen in the sales data as homes priced from \$0-\$100,000 were down 12.8% from a year ago while those \$1,000,000+ are up 27.4%. In general, it still remains tougher than normal to buy a home. Despite record low mortgage rates, home buyers face very tight credit conditions. Tight credit conditions would also explain why all-cash transactions accounted for 32% of purchases in February versus a traditional share of about 10%. 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. In other housing news today, the FHFA index, which measures prices for homes financed by conforming mortgages, increased 0.6% in January (seasonally-adjusted), and is up 6.5% from a year ago. In other news this morning, initial claims for unemployment insurance rose 2,000 last week to 336,000. The four-week moving average of claims is now 340,000. Continuing claims for regular state benefits increased 5,000 to 3.05 million. These figures are consistent with more solid job growth in March. On the manufacturing front, the Philly Fed index, a measure of activity in that region, rose to +2.0 in March from -12.5 in February. Regional manufacturing surveys have been coming in better so far in March and we anticipate an increase in the national ISM index for the month.

NAR Total Existing Home Sales, United States
 SAAR, Thous



Existing Homes: Median Sales Price



Existing Home Sales	Feb-13		Jan-13	Dec-12	3-month	6-month	Yr to Yr
	% Ch.	level					
<i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>							
Existing Home Sales	0.8%	4980	4940	4900	4940	4898	10.2
Northeast	-3.1%	630	650	620	633	618	8.6
Midwest	-1.7%	1140	1160	1120	1140	1138	12.9
South	2.6%	2010	1960	1940	1970	1955	14.9
West	2.6%	1200	1170	1220	1197	1187	1.7
Median Sales Price (\$, NSA)	1.8%	173600	170600	180200	174800	176500	11.6

Source: National Association of Realtors