

May Existing Home Sales

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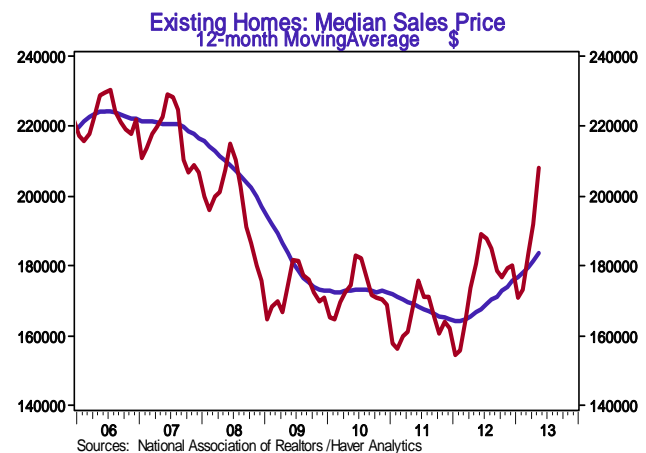
- Existing home sales rose 4.2% in May to an annual rate of 5.18 million units, coming in well above the consensus expected 5.00 million rate. Sales are up 12.9% versus a year ago.
- Sales in May were up in all major regions of the country. The increase in sales was all due to a faster sales pace for single family homes. Sales of condo/coops fell slightly.
- The median price of an existing home rose to \$208,000 in May (not seasonally adjusted), and is up 15.4% versus a year ago. Average prices are up 11.2% versus last year.
- The months' supply of existing homes (how long it would take to sell the entire inventory at the current sales rate) declined to 5.1 in May from 5.2 in April. The decline in the months' supply was completely due to a faster selling pace as inventories for single-family homes and condos/coops rose.

NAR Total Existing Home Sales, United States
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Implications: The housing recovery continues to pick up steam. Existing home sales rose 4.2% in May, reaching the fastest pace since November 2009, when sales were artificially boosted by an \$8,000 homebuyer tax credit. Sales are now up 12.9% from a year ago and look to have renewed an upward push. The months' supply of existing homes (how long it would take to sell the entire inventory at the current selling rate) declined to 5.1 in May, but this was completely due to a faster selling pace. Inventories rose 7,000 and have now increased for four months in a row. We don't see this as a problem and it may be a sign of strength. More sellers are coming back into the market as pricing power recovers and a greater inventory may facilitate sales as potential buyers are more likely to find what they're looking for. Just a year ago, the months' supply was 6.5; it was 9.1 two years ago. So a supply of 5.1 months is still relatively low. On the pricing front, median prices for existing homes were up a whopping 15.4% from a year ago. This can be attributed to a few factors. First, relatively low inventories while demand is picking up. Second, fewer distressed sales. Third, more sales of larger homes. Sales of homes priced from \$0-\$100,000 are down 9.3% from a year ago, while \$1,000,000+ homes are up 36.9%. 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 33% of purchases in May 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 news this morning, new claims for unemployment insurance rose 18,000 last week to 354,000. The four-week moving average is 348,000. Continuing claims declined 40,000 to 2.95 million. Plugging these figures into our payroll models suggest a June gain of 179,000 nonfarm and 184,000 private. On the manufacturing front, the Philly Fed index, a measure of activity in that region, rose to +12.5 in June from -5.2 in May, the best reading in more than two years.

Existing Homes: Median Sales Price



Existing Home Sales	May-13		Apr-13	Mar-13	3-month	6-month	Yr to Yr	
	Seasonally Adjusted Unless Noted, Levels in Thous.	% Ch.						level
Existing Home Sales		4.2%	5180	4970	4940	5030	4980	12.9
Northeast		1.6%	650	640	630	640	637	8.3
Midwest		8.0%	1210	1120	1160	1163	1152	16.3
South		4.0%	2090	2010	1970	2023	1992	16.1
West		2.5%	1230	1200	1180	1203	1200	7.0
Median Sales Price (\$, NSA)		8.4%	208000	191800	183900	194567	184617	15.4

Source: National Association of Realtors