

June Existing Home Sales

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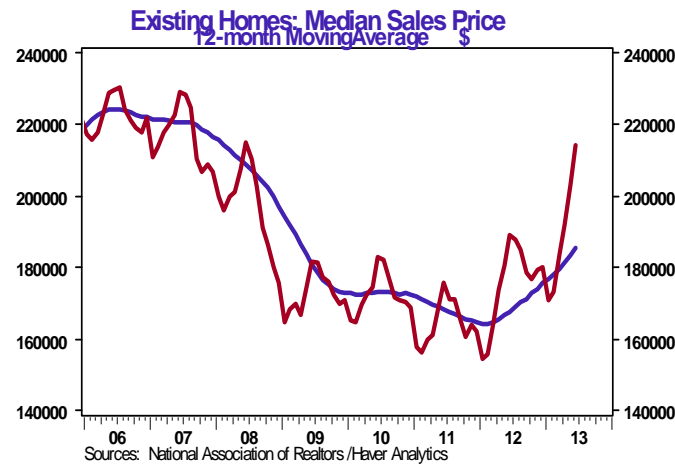
- Existing home sales declined 1.2% in June to an annual rate of 5.08 million units, coming in below the consensus expected 5.26 million rate. Sales are up 15.2% versus a year ago.
- Sales in June were down in the Northeast, West, and South, but were flat in the Midwest. The decline in sales was mostly due to a slower sales pace for single family homes; sales of condo/coops declined slightly.
- The median price of an existing home rose to \$214,200 in June (not seasonally adjusted), and is up 13.5% versus a year ago. Average prices are up 9.6% 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 5.2 in June from 5.0 in May. The rise in the months' supply was due to a slower selling pace along with a rise in inventories for single-family homes.

Implications: Despite the decline in June, existing home sales are up 15.2% from a year ago and remain near the highest levels since November 2009, when they were artificially boosted by an \$8,000 homebuyer tax credit. As the chart to the right shows, existing home sales have been volatile from month to month, but the trend is clearly upward. The months' supply of existing homes (how long it would take to sell the entire inventory at the current selling rate) rose to 5.2 in June, due to both the slower selling pace and an increase in single family inventories. Inventories have grown over the past five months, but we don't see this as a problem. More sellers are coming back into the market as pricing power recovers. In turn, as greater inventory hits the market, it will facilitate sales as potential buyers are more likely to find what they're looking for. Also, the months' supply is down substantially from one and two years ago, when it was 6.4 and 9.1, respectively. On the pricing front, median prices for existing homes were up a very strong 13.5% from a year ago. This can be attributed to a few factors. First, relatively low inventories (despite the recent trend) 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 19.6% from a year ago, while \$1,000,000+ homes are up 25%. In general, it still remains tougher than normal to buy a home. Despite low mortgage rates, home buyers face very tight credit conditions. Tight credit conditions would also explain why all-cash transactions accounted for 31% of purchases in June 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 from late last week, new claims for unemployment insurance declined 24,000 to 334,000. The four-week moving average is 346,000. Continuing claims rose 91,000 to 3.11 million. On the manufacturing front, the Philly Fed index, a measure of activity in that region, rose to +19.8 in July from -8.0 in June, the best reading in more than two years.

NAR Total Existing Home Sales, United States
SAAR, Thous



Existing Homes: Median Sales Price



Existing Home Sales	Jun-13		May-13	Apr-13	3-month	6-month	Yr to Yr % Change
	% Ch.	level					
Seasonally Adjusted Unless Noted, Levels in Thous.							
Existing Home Sales	-1.2%	5080	5140	4970	5063	5003	15.2
Northeast	-1.6%	630	640	640	637	637	16.7
Midwest	0.0%	1210	1210	1120	1180	1167	17.5
South	-1.5%	2030	2060	2010	2033	2002	16.0
West	-1.6%	1210	1230	1200	1213	1198	11.0
Median Sales Price (\$, NSA)	5.5%	214200	203100	191800	203033	189467	13.5

Source: National Association of Realtors