

July Existing Home Sales

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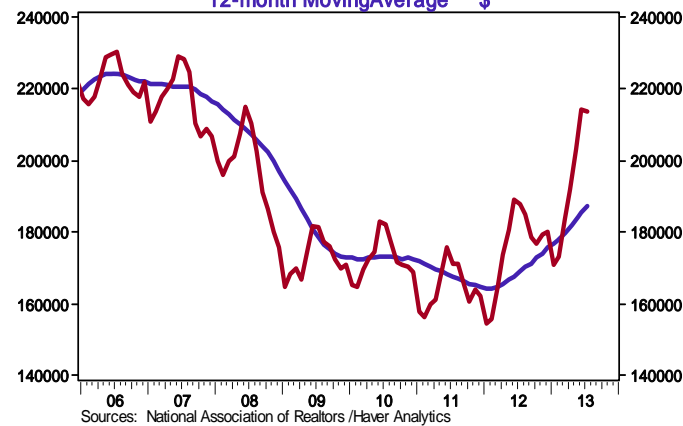
- Existing home sales rose 6.5% in July to a 5.39 million annual rate, coming in well above the consensus expected 5.15 million rate. Sales are up 17.2% versus a year ago.
- Sales in July were up in all major regions of the country. The increase in sales was mostly due to a faster sales pace for single family homes; sales of condo/coops also rose.
- The median price of an existing home declined to \$213,500 in July (not seasonally adjusted) but is up 13.7% versus a year ago. Average prices are up 10.2% versus last year.
- The months' supply of existing homes (how long it would take to sell the entire inventory at the current sales rate) remained steady at 5.1 in July. The months' supply remained unchanged due to a faster selling pace offsetting a 12,000 unit rise in inventories.

Implications: This is what a housing recovery looks like. Despite all the fear-mongers saying higher mortgage rates would kill the housing recovery, today we got our first look at sales that would be affected by higher rates, and boy were they wrong. Existing home sales are up 17.2% from a year ago and, with the exception of November 2009, when they were artificially boosted by an \$8,000 homebuyer tax credit, they're at the highest level since early 2007. As the chart to the right shows, existing home sales have clearly been trending higher. Higher rates haven't hurt sales for a couple of reasons. First, higher rates reflect expectations of faster economic growth. Second, with home prices rising and expected to keep rising, buyers are more willing to buy than back when rates were lower but buyers thought home prices might fall further. The months' supply of existing homes (how long it would take to sell the entire inventory at the current selling rate) was unchanged at 5.1 in July. Inventories have now grown over the past six 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 even more 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 6.3 and 9.1, respectively. On the pricing front, median prices for existing homes were up a very strong 13.7% 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 8.6% from a year ago, while \$1,000,000+ homes are up 46.6%. In general, it still remains tougher than normal to buy a home; buyers face tight scrutiny from lenders. As a result, all-cash transactions accounted for 31% of purchases in July versus a traditional share of about 10%. And cash buyers don't care about mortgage rates at all.

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 <i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>	Jul-13		Jun-13	May-13	3-month	6-month	Yr to Yr %Change
	%Ch.	level					
Existing Home Sales	6.5%	5390	5060	5140	5197	5075	17.2
Northeast	12.7%	710	630	640	660	647	20.3
Midwest	5.8%	1280	1210	1210	1233	1187	20.8
South	5.0%	2110	2010	2060	2060	2023	16.6
West	6.6%	1290	1210	1230	1243	1218	13.2
Median Sales Price (\$, NSA)	-0.2%	213500	214000	203100	210200	196583	13.7

Source: National Association of Realtors