

August Existing Home Sales

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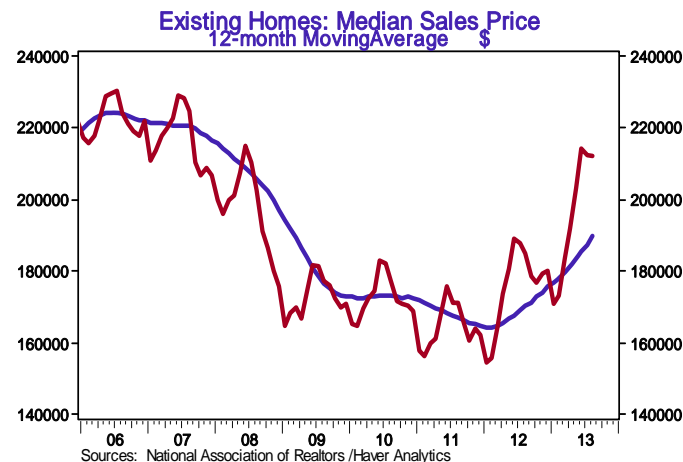
- Existing home sales rose 1.7% in August to a 5.48 million annual rate, coming in well above the consensus expected 5.25 million rate. Sales are up 13.2% versus a year ago.
- Sales in August were up in the Midwest and South, unchanged in the Northeast, and down in the West. The increase in sales was 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 \$212,100 in August (not seasonally adjusted) but is up 14.7% versus a year ago. Average prices are up 11.0% versus last year.
- The months' supply of existing homes (how long it would take to sell the entire inventory at the current sales rate) fell to 4.9 months in August. The decline in the months' supply was all due to a faster selling pace. Inventories rose by 10,000 units.

Implications: Despite all the fear-mongers saying higher mortgage rates would kill the housing recovery, today we got our second look at sales that would be affected by higher rates, and boy were they wrong, again! Existing home sales were up 1.7% in August, up a very strong 13.2% versus a year ago, and hit the highest level since February 2007. It sure doesn't look like higher rates are having any negative effects and there are a few reasons for this. 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) dropped to 4.9 in August. Inventories have now grown over the past seven 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. This is exactly what we are seeing as inventory gains are not keeping up with home sales (hence a lower months' supply). The months' supply is down substantially from one and two years ago, when it was 6.0 and 8.2, respectively. On the pricing front, median prices for existing homes were up a very robust 14.7% from a year ago. In other news, new claims for unemployment insurance rose 15,000 to 309,000. The four-week moving average is 314,750. Continuing claims declined 28,000 to 2.79 million. On the manufacturing front, the Philly Fed index, a measure of activity in that region, rose to +22.3 in September from +9.3 in August, the best reading in more than two years.

NAR Total Existing Home Sales, United States
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Existing Homes: Median Sales Price



Existing Home Sales	Aug-13		Jul-13	Jun-13	3-month	6-month	Yr to Yr % Change
	%Ch.	level					
<i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>							
Existing Home Sales	1.7%	5480	5390	5060	5310	5163	13.2
Northeast	0.0%	710	710	630	683	660	12.7
Midwest	3.1%	1320	1280	1210	1270	1217	18.9
South	3.8%	2190	2110	2010	2103	2058	13.5
West	-2.3%	1260	1290	1210	1253	1228	7.7
Median Sales Price (\$, NSA)	-0.1%	212100	212400	214000	212833	202883	14.7

Source: National Association of Realtors