

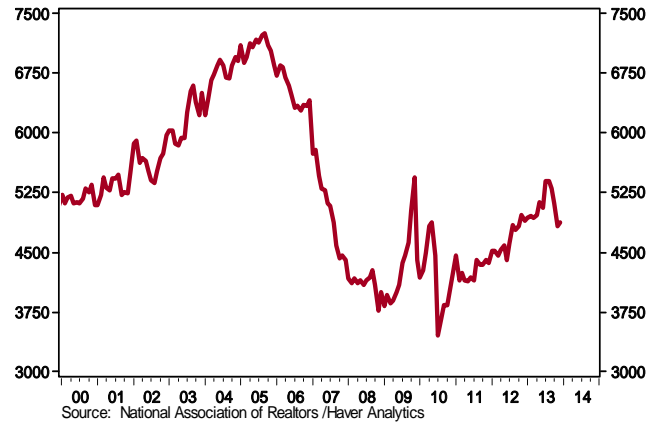
December Existing Home Sales

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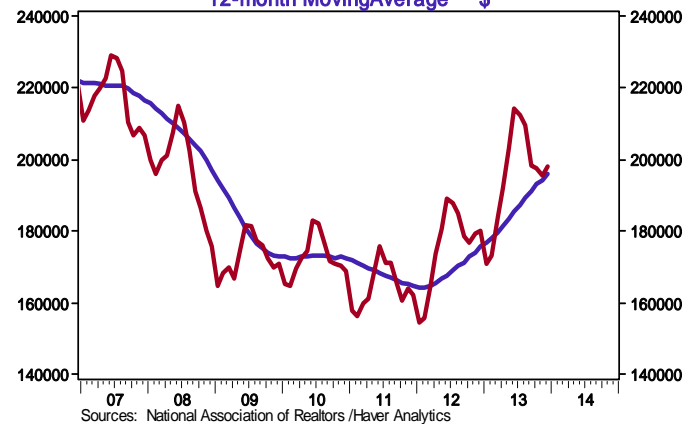
- Existing home sales rose 1.0% in December to a 4.87 million annual rate, coming in slightly below the consensus expected 4.93 million rate. Sales are down 0.6% versus a year ago.
- Sales in December were up in the West and South, but were down in the Northeast and Midwest. The rise in sales was due to higher sales of single-family homes. Sales of condos/coops declined.
- The median price of an existing home increased to \$198,000 in December (not seasonally adjusted) and is up 9.9% versus a year ago. Average prices are up 8.6% versus last year.
- The months' supply of existing homes (how long it would take to sell the entire inventory at the current sales rate) declined to 4.6 months in December. The decline in the months' supply was due to a decline in inventories.

Implications: Existing home sales rose 1.0% in December, coming in at a 4.87 million annual rate. In all of 2013, 5.09 million homes were sold, up 8.9% from 2012 and the best yearly sales level since 2006. Over the past few months existing home sales have slowed, but we do not expect this to last and see further gains in sales in 2014 for a couple reasons. Realtors have noted a lack of inventory is holding down sales. This could be leading some who would have purchased an existing home to purchase a new home instead. The data clearly show this. Inventories fell 9.3% in December to 1.86 million units, close to all-time lows. We expect more inventories to come onto the market in 2014 as home prices continue to move higher (existing home median prices are up 9.9% from a year ago). We also do not believe higher mortgage rates are holding back sales. New home sales are up 24.4% since July while existing home sales are down 9.7%; if higher mortgage rates were hurting sales, shouldn't we see it manifest in lower sales in both the new and existing home markets? So far, we have not seen this. Remember, existing home sales contribute almost zero GDP, so there will be no noticeable negative effect in Q4 from the temporary slowdown in sales. In other housing news this morning, the FHFA index, which measures prices for homes financed with conforming mortgages, increased 0.1% in November, the smallest gain in 16 months. The index is up 7.6% from a year ago. We still expect home prices to rise in the year ahead, but as home builders ramp up construction, more supply should dampen price gains compared to the past year. In broader news, initial claims for unemployment insurance increased 1,000 last week to 326,000. Continuing claims for regular state benefits increased 34,000 to 3.056 million. It's early and the forecast may still change substantially, but our models are now projecting a payroll gain of 140,000 in January.

NAR Total Existing Home Sales, United States
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Existing Homes: Median Sales Price
 Existing Homes: Median Sales Price
 12-month Moving Average



Existing Home Sales	Dec-13		Nov-13	Oct-13	3-month	6-month	Yr to Yr
	% Ch.	level					
<i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>							
Existing Home Sales	1.0%	4870	4820	5120	4937	5147	-0.6
Northeast	-1.5%	640	650	670	653	678	3.2
Midwest	-4.3%	1110	1160	1220	1163	1222	-0.9
South	3.0%	2030	1970	2060	2020	2067	4.6
West	4.8%	1090	1040	1170	1100	1180	-10.7
Median Sales Price (\$, NSA)	1.3%	198000	195500	197500	197000	201933	9.9

Source: National Association of Realtors