

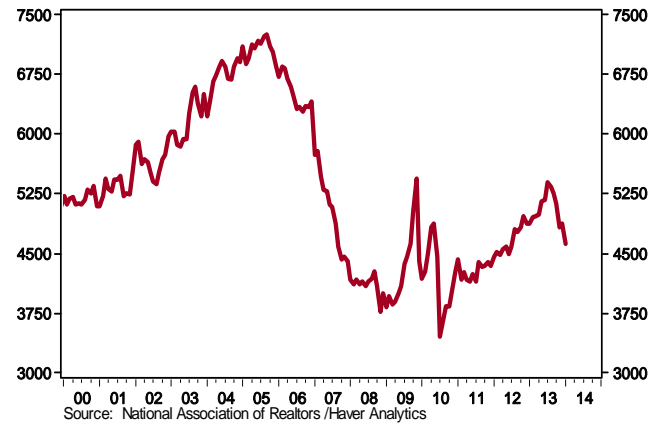
January Existing Home Sales

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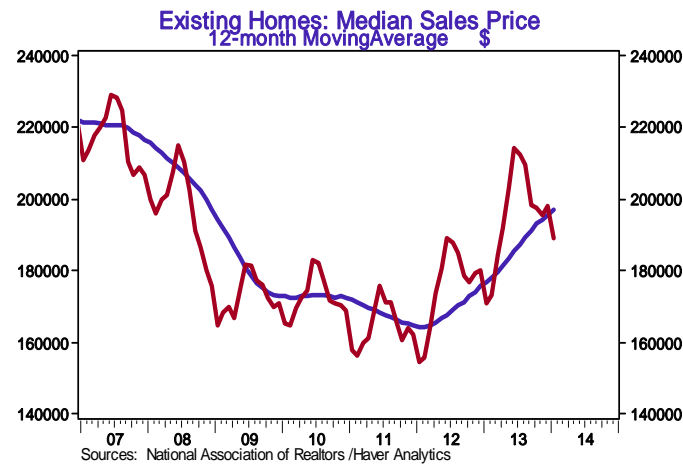
- Existing home sales declined 5.1% in January to a 4.62 million annual rate, coming in slightly below the consensus expected 4.67 million rate. Sales are down 5.1% versus a year ago.
- Sales in January were down in all major regions of the country. The decline in sales was due to lower sales of single-family homes. Sales of condos/coops were unchanged.
- The median price of an existing home fell to \$188,900 in January (not seasonally adjusted) but is up 10.7% versus a year ago. Average prices are up 8.8% 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 4.9 months in January. The increase in the months' supply was mainly due to a slower selling pace. Inventories rose by 4,000 units.

Implications: Existing home sales fell 5.1% in January to the slowest pace in eighteen months. However, the consensus (and First Trust) expected a large drop so today's report should not change anyone's impression about the economy. Existing home sales are counted at closing, and our unusually harsh winter started back in December, when pending home sales (contracts on existing homes) plummeted 8.7%. Given even harsher weather in January, when prospective buyers would have been placing contracts on homes, closings are probably taking another dive in February. Besides the weather, another reason for slower sales is a lack of inventory, which could lead some buyers to purchase a new home instead. There are only 1.9 million units in inventory right now, which is relatively low given the size of our population and the total number of homes. We expect more inventories to come onto the market in 2014 as home prices continue to move higher (median prices for existing homes are up 10.7% from a year ago). Also, credit remains tight, making it hard to get a loan to buy a home. However, we do not believe higher mortgage rates are noticeably holding back sales. The US had a bubble in housing during 2003-07, when 30-year mortgage rates averaged 6.1%. Today they are 4.4%. Adjusted for inflation, real mortgage rates are actually a little bit lower today than they were back in 2003-2007. We remain convinced that the underlying trend for housing remains strong. Also, remember, existing home sales contribute almost zero to GDP, so there will be no noticeable negative effect to GDP from the temporary slowdown in sales.

NAR Total Existing Home Sales, United States
SAAR, Thous



Existing Homes: Median Sales Price



Existing Home Sales	Jan-14		Dec-13	Nov-13	3-month	6-month	Yr to Yr %Change
	%Ch.	level					
<i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>							
Existing Home Sales	-5.1%	4620	4870	4830	4773	5007	-5.1
Northeast	-3.1%	620	640	650	637	663	-3.1
Midwest	-7.1%	1040	1120	1150	1103	1173	-8.8
South	-3.5%	1950	2020	1990	1987	2037	1.6
West	-7.3%	1010	1090	1040	1047	1133	-13.7
Median Sales Price (\$, NSA)	-4.5%	188900	197700	195500	194033	197967	10.7

Source: National Association of Realtors