

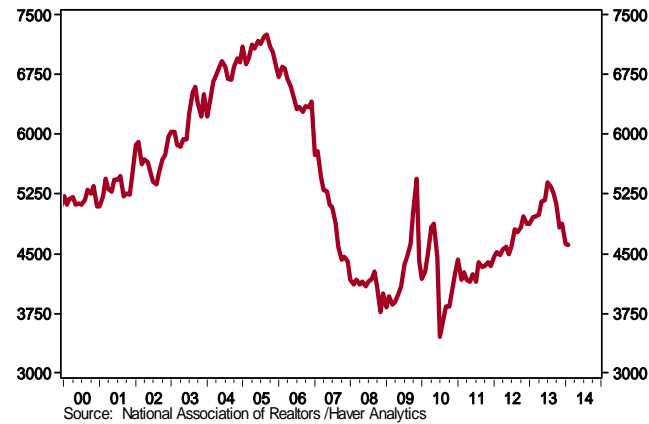
## February Existing Home Sales

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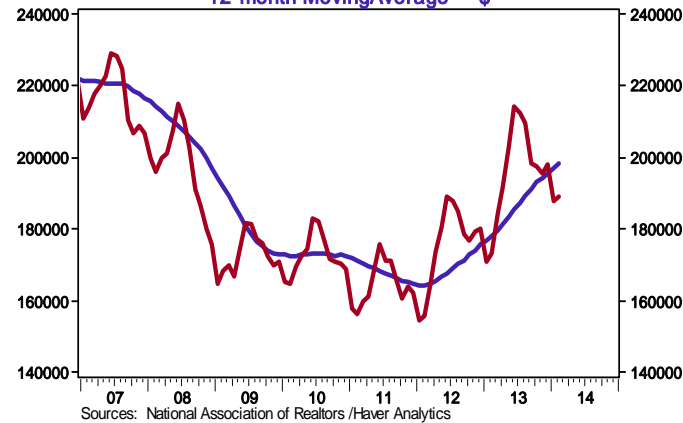
- Existing home sales declined 0.4% in February to a 4.60 million annual rate, coming in exactly as the consensus expected. Sales are down 7.1% versus a year ago.
- Sales in February were down in the Northeast and Midwest, but were up in the South and West. The decline in sales was due to slightly lower sales of both single-family homes and condos/coops.
- The median price of an existing home rose to \$189,000 in February (not seasonally adjusted) and is up 9.1% versus a year ago. Average prices are up 7.4% 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 months in February. The increase in the months' supply was mainly due to a 120,000 increase in inventories.

**Implications:** Existing home sales declined 0.4% in February to the slowest pace since July 2012. However, this was exactly what the consensus expected and should not change anyone's impression about the economy. Existing home sales are counted at closing, and given harsh winter weather in December and January, when prospective buyers would have been placing contracts on homes, it makes sense that sales were weak 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. The good news was that inventories increased by 120,000 units in February and this suggests that the pace of sales will pick up in March and April, as contracts signed in February will show up in March and April sales. Expect more inventory to come onto the market in 2014 as home prices continue to move higher (median prices for existing homes are up 9.1% from a year ago). Also, credit remains tight, making it hard to get a loan to buy a home. This explains why 35% of all sales in February were all-cash transactions. However, we do not believe higher mortgage rates are noticeably holding back sales. The US had a bubble in housing during 2003-05, when 30-year mortgage rates averaged 5.8%. Today they are 4.3%. 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. In other news this morning, initial claims for unemployment insurance increased 5,000 last week to 320,000. Continuing claims increased 41,000 to 2.86 million. On the manufacturing front, the Philly Fed index, a measure of factory sentiment in that region, rose to +9.0 in March from -6.3 in February.

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	Feb-14		Jan-14	Dec-13	3-month	6-month	Yr to Yr % Change
	% Ch.	level					
Seasonally Adjusted Unless Noted, Levels in Thous.							
<b>Existing Home Sales</b>	<b>-0.4%</b>	<b>4600</b>	4620	4870	4697	4885	-7.1
<b>Northeast</b>	<b>-11.3%</b>	<b>550</b>	620	640	603	638	-12.7
<b>Midwest</b>	<b>-3.8%</b>	<b>1000</b>	1040	1120	1053	1125	-12.3
<b>South</b>	<b>1.5%</b>	<b>1980</b>	1950	2020	1983	2015	-0.5
<b>West</b>	<b>5.9%</b>	<b>1070</b>	1010	1090	1057	1107	-10.1
<b>Median Sales Price (\$, NSA)</b>	<b>0.6%</b>	<b>189000</b>	187900	197700	191533	194350	9.1

Source: National Association of Realtors