

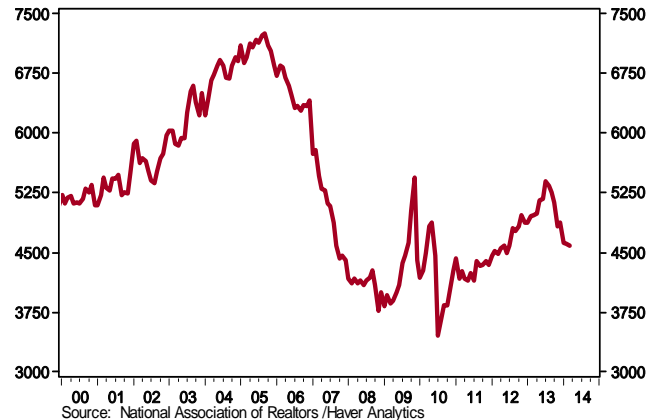
March Existing Home Sales

Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Economist

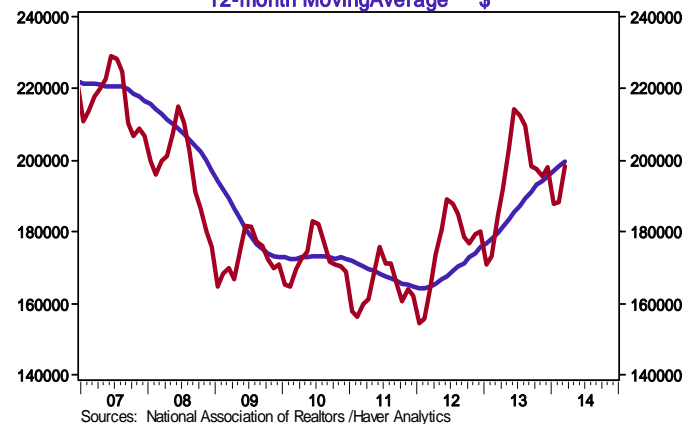
- Existing home sales declined 0.2% in March to a 4.59 million annual rate, coming in above the consensus expected 4.56 million annual rate. Sales are down 7.5% versus a year ago.
- Sales in March were down in the South and West, but were up in the Northeast and Midwest. The very small decline in sales was due to slightly lower sales of condos/coops. Sales of single-family homes were unchanged.
- The median price of an existing home rose to \$198,500 in March (not seasonally adjusted) and is up 7.9% versus a year ago. Average prices are up 5.9% 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 March. The increase in the months' supply was due to a 90,000 increase in inventories.

Implications: Existing home sales declined 0.2% in March to the slowest pace since July 2012. However, this was a little above 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 January and February, when prospective buyers would have been placing contracts on homes, it makes sense that sales were still weak in March. 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 90,000 units in March and this suggests that the pace of sales will pick up this spring, as contracts signed in March will show up in April and May 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 7.9% from a year ago). However, credit remains tight, making it hard to get a loan to buy a home. This explains why 33% of all sales in March 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. In other housing news this morning, the FHFA price index, which measures homes financed with conforming mortgages, increased 0.6% in February and is up 6.9% from a year ago. Home prices will continue to climb in the next couple of years, but not as quickly as in the past two years. On the manufacturing front, the Richmond Fed index, a measure of factory sentiment in the mid-Atlantic region, surged to +7 in April from -7 in March, a clear sign of a spring economic thaw.

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 | Mar-14 | | Feb-14 | Jan-14 | 3-month | 6-month | Yr to Yr % Change |
|---|--------|--------|--------|--------|---------|---------|----------------------|
| | %Ch. | level | | | | | |
| <i>Seasonally Adjusted Unless Noted, Levels in Thous.</i> | | | | | | | |
| Existing Home Sales | -0.2% | 4590 | 4600 | 4620 | 4603 | 4773 | -7.5 |
| Northeast | 9.1% | 600 | 550 | 620 | 590 | 623 | -4.8 |
| Midwest | 4.0% | 1040 | 1000 | 1040 | 1027 | 1093 | -10.3 |
| South | -3.0% | 1920 | 1980 | 1950 | 1950 | 1987 | -3.0 |
| West | -3.7% | 1030 | 1070 | 1010 | 1037 | 1070 | -13.4 |
| Median Sales Price (\$, NSA) | 5.4% | 198500 | 188300 | 187900 | 191567 | 194233 | 7.9 |

Source: National Association of Realtors