

January Existing Home Sales

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- Existing home sales declined 4.9% in January to a 4.82 million annual rate, coming in below the consensus expected 4.95 million. Sales are up 3.2% versus a year ago.
- Sales fell in all major areas of the country. The decline in sales was mainly due to single-family homes. Sales of condos/coops declined slightly as well.
- The median price of an existing home slipped to \$199,600 in January (not seasonally adjusted) but is up 6.2% versus a year ago. Average prices are up 4.9% 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 4.7 months in January. This was due to both a slower selling pace as well as an increase in inventories.

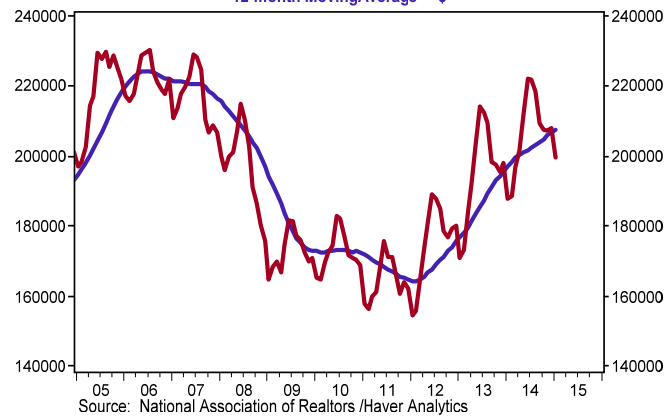
Implications: Nothing shows the Plow Horse Economy better than housing. Sales of existing homes fell to a nine-month low in January, coming in below consensus expectations. However, the underlying fundamentals continue to improve. Sales have gained on a year-to-year basis for four consecutive months and are now up 3.2% from a year ago. And this gain comes in the face of a drop in distressed and all-cash-sales. Distressed homes (foreclosures and short sales) now account for only 11% of total sales, down from 15% a year ago. All-cash buyers are down to 27% of sales from a high of 35% in February 2014. As a result, even though total sales are up 3.2% from a year ago, non-cash sales (where the buyer uses a mortgage loan) are up 12.5%. What this means is that when distressed and all-cash sales eventually bottom out, total sales will start rising at a more rapid pace, closer to 12.5% per year rather than 3.2%. So even though credit (but, not liquidity) remains relatively tight, we see evidence of a thaw, which suggests overall sales will climb at a faster pace in the year ahead. What's interesting is that the percentage of buyers using credit has increased as the Fed tapered and then ended QE. Those predicting a housing crash without more QE were completely wrong. One of the reasons for the tepid recovery in existing home sales so far is a lack of inventory. Inventories are down 0.5% from a year ago and close to the lowest level in almost two years. In the year ahead, we expect the higher level of home prices to bring more sellers into the market, which should help generate additional sales. Either way, whether existing home sales are up or down, it's important to remember these data, by themselves, should not change anyone's impression about the overall economy. Existing home sales contribute almost zero to GDP, which counts "new" production, not re-sales of old property. In other news from last week, new claims for unemployment benefits declined 21,000 to 283,000. Continuing claims increased 58,000 to 2.43 million. It's still early, but plugging these figures into our models suggests nonfarm payrolls will be up around 260,000 in February, another solid month and enough to keep the Fed on track for raising rates starting in June.

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 | Jan-15 | | Dec-14 | Nov-14 | 3-month | 6-month | Yr to Yr | |
|-------------------------------------|--|--------------|---------------|--------|---------|---------|----------|-------|
| | Seasonally Adjusted Unless Noted, Levels in Thous. | % Ch. | | | | | | level |
| Existing Home Sales | | -4.9% | 4820 | 5070 | 4950 | 4947 | 5017 | 3.2 |
| Northeast | | -6.0% | 630 | 670 | 680 | 660 | 670 | 3.3 |
| Midwest | | -2.7% | 1080 | 1110 | 1130 | 1107 | 1150 | 0.9 |
| South | | -4.6% | 2070 | 2170 | 2100 | 2113 | 2097 | 5.6 |
| West | | -7.1% | 1040 | 1120 | 1040 | 1067 | 1100 | 1.0 |
| Median Sales Price (\$, NSA) | | -4.1% | 199600 | 208200 | 207200 | 205000 | 208333 | 6.2 |

Source: National Association of Realtors