

October Existing Home Sales

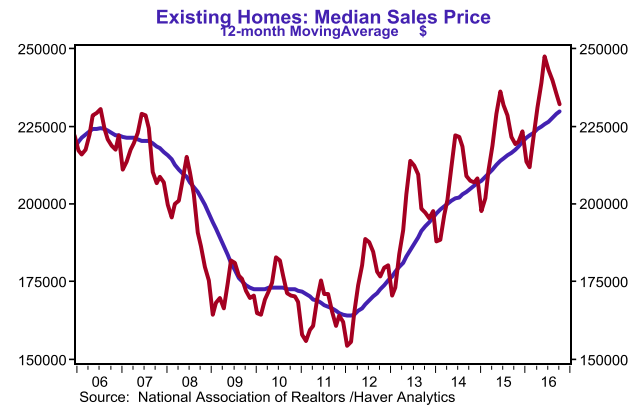
Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elss – Economist

- Existing home sales increased 2.0% in October to a 5.60 million annual rate, easily beating the consensus expected 5.44 million. Sales are up 5.9% versus a year ago.
- Sales rose in all major regions in October. The nationwide increase was due entirely to a rise in sales of single-family homes. Sales of condos/coops remained unchanged in October.
- The median price of an existing home fell to \$232,200 in October (not seasonally adjusted) but is up 6.0% versus a year ago. Average prices are up 4.4% versus last year.
- The months' supply of existing homes (how long it would take to sell the entire inventory at the current sales rate) was 4.3 months in October, down from 4.4 months in September. The drop was due to both a faster sales pace and a decline in inventories.

NAR Total Existing Home Sales, United States
 SAAR, Thous



Existing Homes: Median Sales Price



Implications: Existing home sales rose sharply in October to the fastest pace since 2007. Sales of previously-owned homes rose 2% in October to a 5.60 million annual rate, up 5.9% from a year ago. Although it's important to remember that home sales are volatile from month to month, we expect the general upward trend of the past several years to keep going. Remarkably, sales have hit the highest level since 2007 even though inventories remain very low. Inventories have now fallen for seventeen consecutive months (on a year-over-year comparison basis). In fact, the inventory of homes in October was the lowest for any October since 2001, in the immediate aftermath of the 9/11 attacks. The months' supply of existing homes – how long it would take to sell the current inventory at the most recent selling pace – is only 4.3 months. According to the National Association of Realtors® (NAR), anything less than 5.0 months is considered tight supply. The good news is that demand for existing homes was so strong that 43% of properties in October sold in less than a month, pointing to further interest from buyers in the months ahead. Higher demand has also driven up median prices, which are up 6% from a year ago. While this may temporarily price some lower-end buyers out of the market, it should ultimately help alleviate some of the supply constraints as “on the fence” sellers take advantage of higher prices and trade-up or trade-down to a new home. Although some analysts may be concerned about the impact of higher mortgage rates, it's important to recognize that rates are still low by historical standards, incomes are growing, and the homeownership rate is eventually going to move higher again. On the manufacturing front, the Richmond Fed index, which measures mid-Atlantic factory sentiment, rose to +4 in November from -4 in October, signaling expansion. We expect the national ISM will continue to show expansion as well.

Existing Home Sales	Oct-16		Sep-16	Aug-16	3-month	6-month	Yr to Yr
	% Ch.	level	level	level	moving avg.	moving ave.	% Change
<i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>							
Existing Home Sales	2.0%	5600	5490	5300	5463	5475	5.9
Northeast	1.4%	750	740	700	730	730	1.4
Midwest	2.3%	1360	1330	1270	1320	1315	6.3
South	2.8%	2220	2160	2140	2173	2210	4.7
West	0.8%	1270	1260	1190	1240	1220	10.4
Median Sales Price (\$, NSA)	-1.3%	232200	235300	239900	235800	239533	6.0

Source: National Association of Realtors