

August Existing Home Sales

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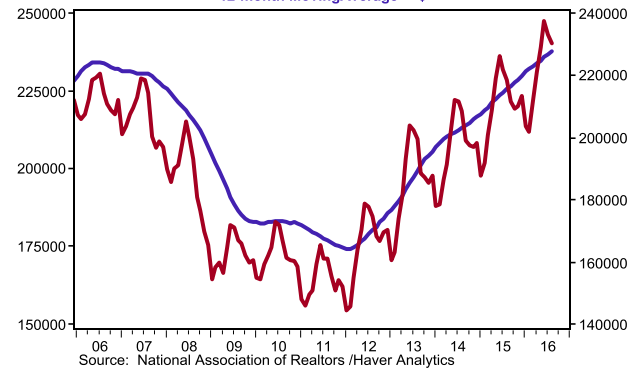
- Existing home sales declined 0.9% in August to a 5.33 million annual rate, coming in below the consensus expected 5.45 million. Sales are up 0.8% versus a year ago.
- Sales fell in the South, West, and Midwest, but rose in the Northeast. The nationwide decline was due entirely to a drop in single-family homes. Sales of condos/coops rose in August.
- The median price of an existing home fell to \$240,200 in August (not seasonally adjusted) but is up 5.1% versus a year ago. Average prices are up 4.0% 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 4.6 months in August, down from 4.7 months in July. The drop was due to inventories falling faster than the declining pace of sales.

NAR Total Existing Home Sales, United States
 SAAR, Thous



Existing Homes: Median Sales Price

Existing Homes: Median Sales Price
 12-month Moving Average



Implications: Sales of existing homes weakened modestly in August as inventories continue to decline and prices trend higher. Sales of previously owned homes fell 0.9% in August to a 5.33 million annual rate but are still up 0.8% from a year ago. Despite today's sales pace being the second slowest of the year, we do not think this is the end for the housing market. Housing is volatile from month to month, and we think the broader trend will continue to be upward, although there are still some headwinds. Tight supply and rising prices continue to hold back sales. Inventories fell 3.3% in August, and have now fallen for fifteen consecutive months on a year-over-year basis. Further, the months' supply of existing homes – how long it would take to sell the current inventory at the most recent selling pace – is only 4.6 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 was so strong that 46% of properties in August sold in less than a month, pointing to further interest from buyers in the months ahead. However, higher demand from the summer selling season also helped push the median price for an existing home up 5.1% versus 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 to a new home, bringing more existing properties onto the market as well. In other housing news this morning, the FHFA index, which measures prices for homes financed with conforming mortgages, increased 0.5% in July and is up 5.8% from a year ago. Another sign that supply remains limited and home builders have room to keep ramping up construction. More broadly, new claims for unemployment benefits declined 8,000 last week to 252,000, marking the 81st consecutive week below 300,000. Continuing claims declined 36,000 to 2.11 million. It's still early, but plugging these figures into our models suggests a September payroll gain of about 175,000, more than enough to keep the Fed back on track for higher rates in December.

Existing Home Sales	Aug-16		Jul-16	Jun-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	-0.9%	5330	5380	5570	5427	5430	0.8
<i>Northeast</i>	6.1%	700	660	760	707	725	0.0
<i>Midwest</i>	-0.8%	1270	1280	1350	1300	1305	0.8
<i>South</i>	-2.7%	2160	2220	2260	2213	2222	0.9
<i>West</i>	-1.6%	1200	1220	1200	1207	1178	0.8
Median Sales Price (\$, NSA)	-1.3%	240200	243300	247600	243700	237067	5.1

Source: National Association of Realtors