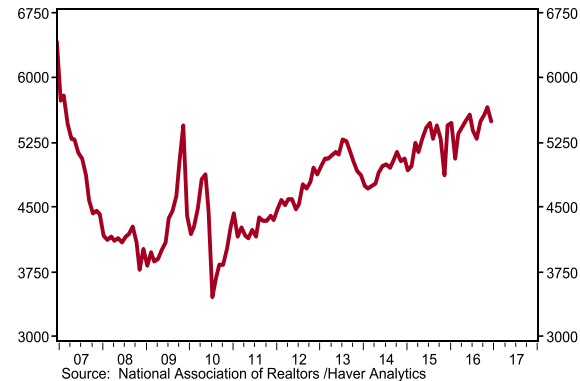


December Existing Home Sales

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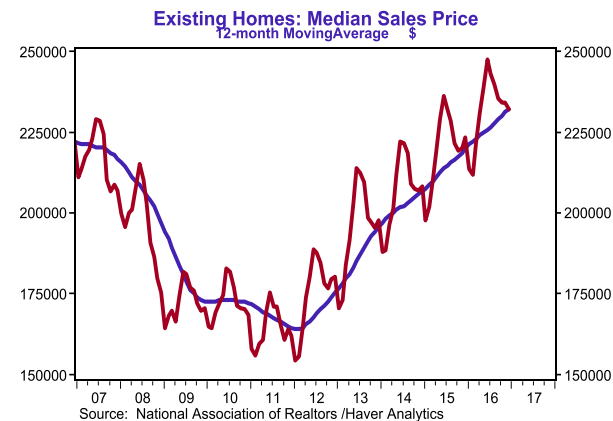
- Existing home sales declined 2.8% in December to a 5.49 million annual rate, falling short of the consensus expected 5.52 million. Sales are up 0.7% versus a year ago.
- Sales in December fell in the Northeast, West, and Midwest, but remained unchanged in the South. The decline was due to a drop in sales of both single family homes and condos/coops.
- The median price of an existing home fell to \$232,200 in December (not seasonally adjusted) but is up 4.0% versus a year ago. Average prices are up 3.0% 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 3.6 months in December, down from 3.9 months in November. The drop was entirely due to a decline in inventories. The sales pace declined in December.

NAR Total Existing Home Sales, United States
 SAAR, Thous



Implications: Don't be fooled by today's soft headline number, existing home sales finished 2016 on a strong note, coming in for the full calendar year at the strongest sales pace in a decade. Sales of previously-owned homes fell 2.8% in December to a 5.49 million annual rate, but are still up 0.7% from a year ago. Home sales are volatile from month to month and we expect the general upward trend of the past several years to keep going. That being said, tight supply and rising prices will continue to be headwinds heading into the new year. Remarkably, sales in 2016 hit their highest level since 2006 even though inventories remain very low. In fact, inventories are now at their lowest level since the National Association of Realtors® (NAR) began tracking supply in 1999. The months' supply of existing homes – how long it would take to sell the current inventory at the most recent selling pace – is only 3.6 months. According to the NAR, anything less than 5.0 months is considered tight supply. Meanwhile, growing demand for housing has driven up median prices, which are up 4.0% 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. In addition, look for a faster pace of home building in the next couple of years. 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 appetite for homeownership is eventually going to move higher again. In other news this morning, the Richmond Fed index, which measures mid-Atlantic factory sentiment, rose to +12 in January from +8 in December, signaling further expansion in the manufacturing sector. We expect the national ISM will continue to show expansion as well.

Existing Homes: Median Sales Price
 \$



Existing Home Sales	Dec-16		Nov-16	Oct-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	-2.8%	5490	5650	5570	5570	5480	0.7
Northeast	-6.2%	760	810	750	773	737	2.7
Midwest	-3.8%	1280	1330	1360	1323	1308	2.4
South	0.0%	2250	2250	2190	2230	2202	0.4
West	-4.8%	1200	1260	1270	1243	1233	-1.6
Median Sales Price (\$, NSA)	-0.9%	232200	234400	234100	233567	236533	4.0

Source: National Association of Realtors