

Existing House Sales: Home Sweet Home

U.S. existing home sales rose a much stronger-than-expected 9.4% in September, the fifth advance in six months, with single-unit sales seeing their biggest gain in a quarter century. Total sales hit a two-year high of 5.57 million units annualized, up 9% in the past year. Near-record affordability and the looming November 30th deadline for the first-time home buyer tax credit are driving the market. There is growing evidence of a broad-based recovery in housing. Sales rose in all major regions, and sales of distressed properties accounted for a diminishing share of the total (29% versus 31% in August and nearly one-half earlier this year). Recent pending home sales figures point to continued strength ahead. The increase in sales, coupled with an equally sharp drop in listings, slashed the months supply to a two-year low of 7.8 from 9.3 in August, which is close to the long-run norm of seven months. Because of shrinking supply, median home prices fell at a slower rate of -8.5% y/y, the smallest decline in over a year; moreover, on a sequential basis, prices have trended slightly higher since the spring.

	(millions of units : a.r.)			(average)	
	Sep	Aug	Jul	3-month	12-month
Total Existing Home Sales	5.57	5.09	5.24	5.30	4.85
(month/month % change)	9.4	-2.9	7.2	13.9 *	9.2 ***
Northeast	0.95	0.91	0.93	0.93	0.80
Midwest	1.25	1.14	1.22	1.20	1.09
South	2.06	1.89	1.95	1.97	1.79
West	1.30	1.15	1.13	1.19	1.16
Median Price (US\$ thousands)	174.9	177.3	181.5	177.9	175.2
(year/year % change)	-8.5	-12.7	-13.6		
Months' Supply	7.8	9.3	9.3	8.8	9.6

* 3-month % change *** 12-month % change

The Bottom Line: The solid increase in existing home sales in September provides more substantive evidence that the market is turning the corner, and will finally assist the economic recovery. That said, even if the first-time home buyer tax credit deadline is extended (and today's WSJ says the government appears ready to do just that), the market faces numerous headwinds, including a likely continued increase in foreclosures, that will limit the recovery well into next year.

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