



Economics Group

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Existing Home Sales Plummeted in July

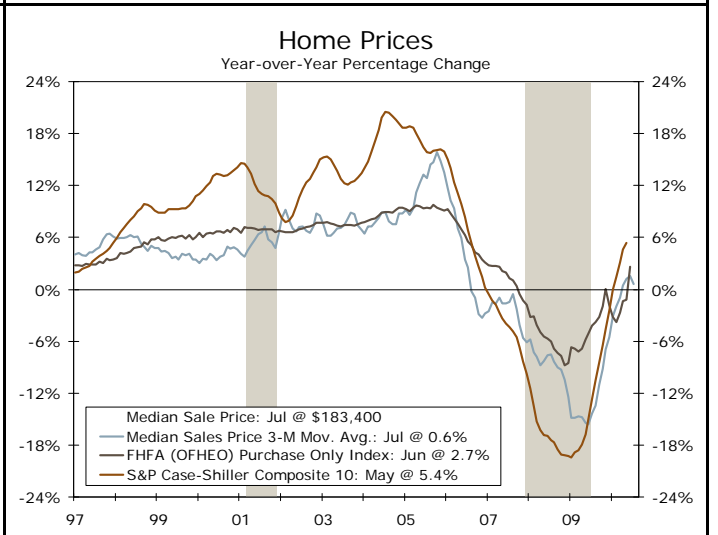
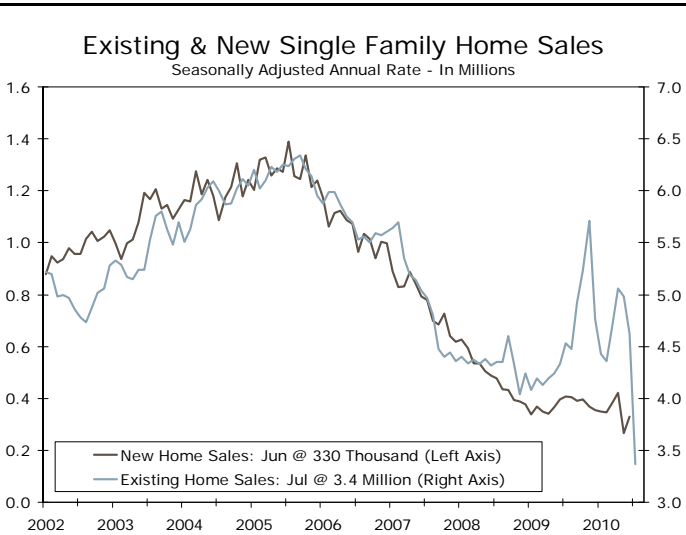
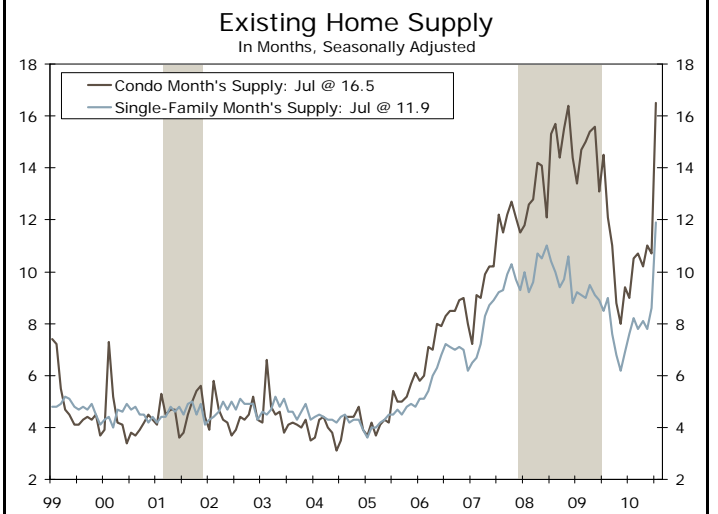
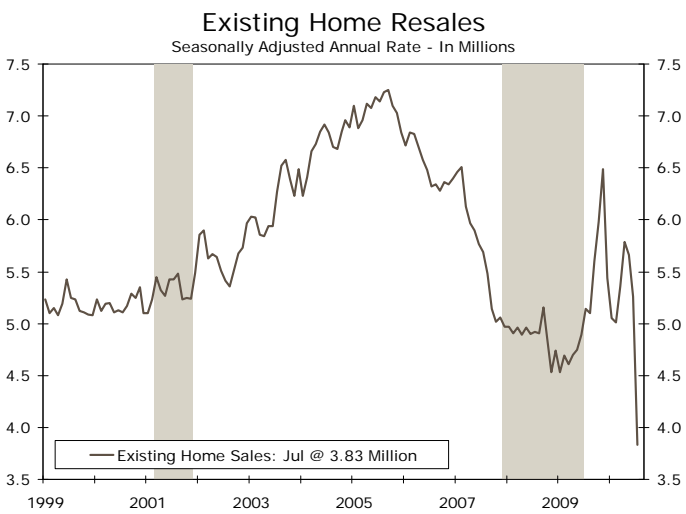
Existing home sales dropped 27.2 percent in July, which was well below expectations. The monthly decline was the largest on record. Payback from the tax credit is largely responsible for the sizeable decline.

Tax Credit Payback Hit July Sales in a Big Way

- Sales of existing homes plunged 27.2 percent in July, to a 3.83 million-unit pace, the lowest level of sales on record. Delays in the closing process, which led to an extension of the closing deadline, likely helped soften the decline in sales in May and June. First-time homebuyers accounted for 38 percent of home sales in July and distressed transactions accounted for 32 percent of existing home sales.

Months' Supply Surges to Record High

- The number of homes for sale rose 2.5 percent to 3.98 million. There is currently an 11.9-month supply of single-family homes and a 16.5-month supply of condominiums on the market.
- The combination of high inventories, increasing distressed transactions and declining home sales means prices should turn down again in coming months. Homebuilding will be restrained even further, making it a bigger drag on economic growth.



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