

## Economics Group

Tim Quinlan, Economist  
[tim.quinlan@wellsfargo.com](mailto:tim.quinlan@wellsfargo.com) • (704) 374-4407

# Tax Credit Expiration Fuels Jump in Existing Home Sales

**Existing home sales jumped to a 5.8 million unit annualized pace in April—the last month for homebuyers to sign a contract in time for the tax credit. The pace of sales is likely to slow somewhat in coming months.**

### Growing Supply

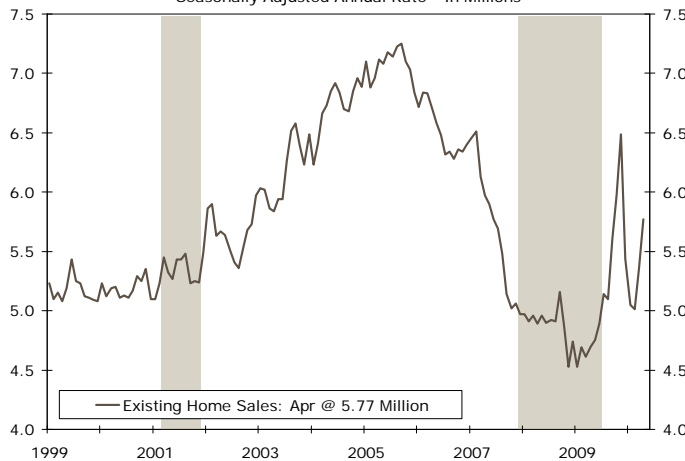
- It was the fastest pace of sales for existing homes since November 2009—the month in which the tax credit was first set to expire. Sales are expected to slip in coming months as the effect from the tax credit goes away. The inventory of existing homes for sale grew in April lifting the month's supply for all homes to 8.4 months. With supply growing and demand expected to fade, it is a bad picture for prices.

### Falling Demand

- After housing prices fell precipitously in the recession, the tax credits helped put a floor under prices. But prices, in the shadow of the tax credits, seem poised for a decline.
- Fading demand is evident in new mortgage applications, which fell 34.1 percent between the last week in April and the second week in May. The drop comes even as conventional 30-year mortgage rates fell below 5 percent during the same period.

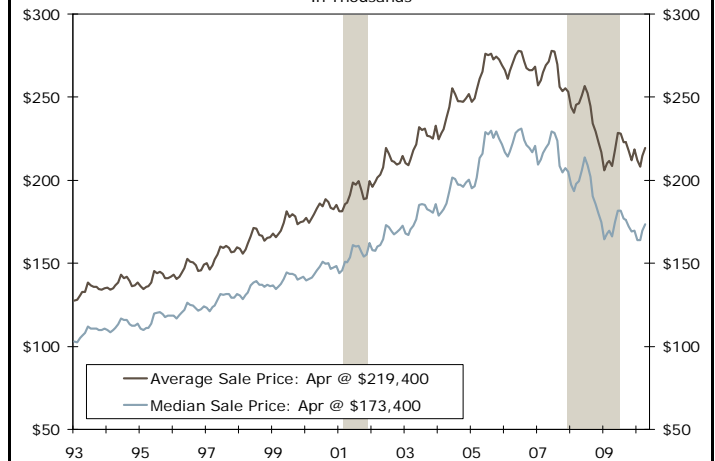
Existing Home Resales

Seasonally Adjusted Annual Rate - In Millions



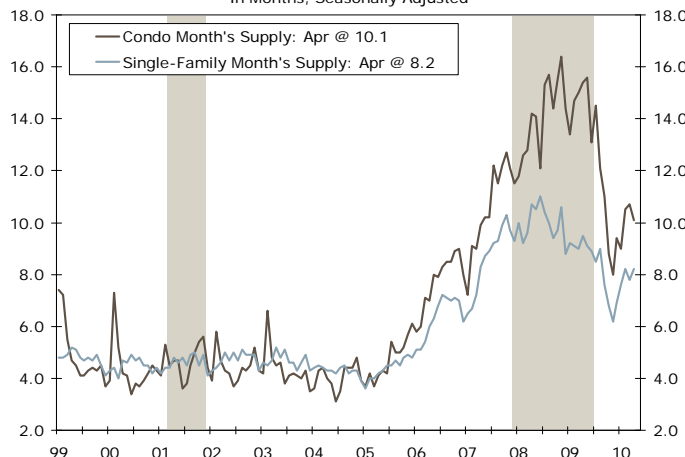
Existing Single-Family Home Prices

In Thousands



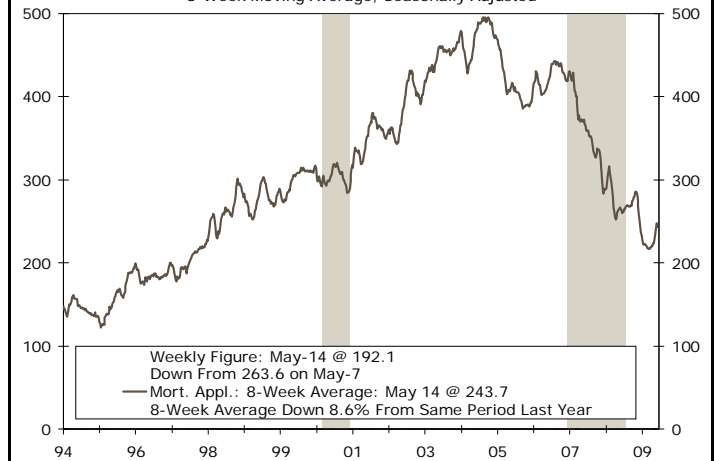
Existing Home Supply

In Months, Seasonally Adjusted



Mortgage Applications for Purchase

8-Week Moving Average, Seasonally Adjusted



Source: National Association of Realtors, Mortgage Bankers Association and Wells Fargo Securities, LLC

## Wells Fargo Securities, LLC Economics Group

Diane Schumaker-Krieg	Global Head of Research & Economics	(704) 715-8437 (212) 214-5070	diane.schumaker@wellsfargo.com
John E. Silvia, Ph.D.	Chief Economist	(704) 374-7034	john.silvia@wellsfargo.com
Mark Vitner	Senior Economist	(704) 383-5635	mark.vitner@wellsfargo.com
Jay Bryson, Ph.D.	Global Economist	(704) 383-3518	jay.bryson@wellsfargo.com
Scott Anderson, Ph.D.	Senior Economist	(612) 667-9281	scott.a.anderson@wellsfargo.com
Eugenio Aleman, Ph.D.	Senior Economist	(612) 667-0168	eugenio.j.aleman@wellsfargo.com
Sam Bullard	Senior Economist	(704) 383-7372	sam.bullard@wellsfargo.com
Anika Khan	Economist	(704) 715-0575	anika.khan@wellsfargo.com
Azhar Iqbal	Econometrician	(704) 383-6805	azhar.iqbal@wellsfargo.com
Ed Kashmarek	Economist	(612) 667-0479	ed.kashmarek@wellsfargo.com
Tim Quinlan	Economist	(704) 374-4407	tim.quinlan@wellsfargo.com
Kim Whelan	Economic Analyst	(704) 715-8457	kim.whelan@wellsfargo.com
Yasmine Kamaruddin	Economic Analyst	(704) 374-2992	yasmine.kamaruddin@wellsfargo.com

Wells Fargo Securities Economics Group publications are produced by Wells Fargo Securities, LLC, a U.S broker-dealer registered with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the Securities Investor Protection Corp. Wells Fargo Securities, LLC, distributes these publications directly and through subsidiaries including, but not limited to, Wells Fargo & Company, Wells Fargo Bank N.A, Wells Fargo Advisors, LLC, and Wells Fargo Securities International Limited. The information and opinions herein are for general information use only. Wells Fargo Securities, LLC does not guarantee their accuracy or completeness, nor does Wells Fargo Securities, LLC assume any liability for any loss that may result from the reliance by any person upon any such information or opinions. Such information and opinions are subject to change without notice, are for general information only and are not intended as an offer or solicitation with respect to the purchase or sales of any security or as personalized investment advice. Wells Fargo Securities, LLC is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company © 2010 Wells Fargo Securities, LLC.

SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE

