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### August Home Sales: Home Sales Slowly Make Their Way Off The Bottom

- Existing home sales rose to an annualized rate of 4.820 million units in August, from July's sales pace of 4.470 million units.
- New home sales slipped to an annualized rate of 373,000 units in August, from a (revised) rate of 374,000 units in July (originally 372,000).
- Year-over-year, the median existing home price rose by 9.5 percent, while the median new home price rose by 17.0 percent.

**New Home Sales:** New home sales were little changed in August, with an annual sales rate of 373,000 units compared to an upwardly revised rate of 374,000 in July. The median new home price jumped by 17 percent from a year ago, to some extent reflecting the geographic mix of homes sold. Sales rose in three of the four Census regions, but fell in the South region, where home prices are typically lower and the overall sales volume is the highest of the four regions. Also helping the median price up was an increase in sales of homes priced at \$500,000 or higher, which accounted for 10 percent of August new home sales.

Inventories continue to be the story in the new homes market. The August data show inventories of homes for sale at all stages of construction to be at their lowest point in the life of the data (which start in the early 1960s), as is true of completed homes for sale which fell to 38,000. This of course marks quite a turn from the inventory situation in the years leading up to the Great Recession, when the question was what on earth were builders going to do with all of their unsold homes.

Were it not for inventory constraints, new home sales would be higher still, but given the increases in single family permits and starts over recent months, these inventory constraints begin to ease in the months ahead. We can see the shift in the inventory situation reflected in sales by stage of construction. Over the past six months, completed homes have accounted for roughly 35 percent of all new home sales, whereas during the recession it was not uncommon for this ratio to be between 50 and 60 percent. Recent months have also seen a steady increase in sales of homes on which construction has not yet started.

**Existing Home Sales:** Existing home sales jumped to an annualized rate of 4.820 million units, up 7.8 percent from July's sales rate of 4.470 million units. Sales were up sharply in all four regions, ranging from a 7.3 percent gain in the South to the Northeast's 8.6 percent increase. Inventories of existing homes listed for sale rose in August, but the

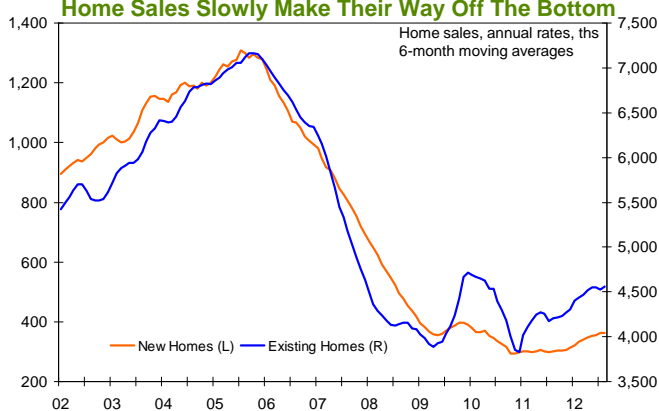
strong sales pace meant that the months supply of available homes fell, leaving it at 6.1 months. Even with the increase in listings, inventories in August were 18.2 percent below their year-ago level, with the decline at least in part reflecting lower REO/foreclosure inventories.

The median existing home price rose by 9.5 percent from a year ago for the U.S. as a whole, in keeping with the recent trend of accelerating price appreciation. There are, however, stark regional differences in price appreciation, with over-the-year increases ranging from just 0.64 percent in the Northeast to 16.22 percent in the West. These pricing patterns to a large extent reflect what has been a declining share of distress sales in the overall sales mix. According to the NAR, distress sales accounted for 22 percent of August sales, in line with recent months but considerably below 2011 when distress sales accounted for roughly one-third of all sales.

Another factor here is the mix of distress sales between foreclosures and short sales. The former typically carry a steeper price discount, and with short sales accounting for a rising share of distress, that will also help prop up the median sales price and make the over-the-year comparisons look stronger than they actually are. This pattern will hold over coming months, and the paring down of distress inventories is having a notable impact on the data in the West region for both sales (flat from a year ago) and median sales price.

Low mortgage rates and prices that, though rising, remain manageable will continue to entice buyers over coming months. Even with what has been lackluster job and income growth, sales would likely be higher were a greater share of prospective buyers able to qualify for financing. Still, we are far from an "all's clear" for the housing market, or the broader economy for that matter. We could see uneven housing sales and price data over the next few quarters, with sustained improvement at a faster pace likely to take hold over the latter half of 2013.

REGIONS  
Home Sales Slowly Make Their Way Off The Bottom



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Existing Inventories Understated, New Inventories Just Low

