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## June Existing Home Sales: Existing Home Sales Gaining Momentum, But Not There Yet

- Existing home sales rose to an annualized rate of 5.040 million units in June from a revised sales pace of 4.910 million units in May.
- Months supply of inventory stands at 5.5 months; the median existing home sale price rose by 4.3 percent on a year-over-year basis.

Existing home sales rose to an annual rate of 5.040 million units in June, the fastest sales rate since October, while May sales were revised higher to an annual rate of 4.910 units (from 4.890 million). Inventory constraints continue to ease which is not only helping facilitate sales but also taking some of the steam out of house price appreciation. The 4.3 percent year-over-year increase in the median sales price was the smallest such gain since March 2012.

Sales were down in June on a year-over-year basis, the eight consecutive month in which this has been the case. Yet, as we have noted on each such occasion, the decline on a year-ago basis reflects the fading influence of distress sales. In June, distress sales accounted for just 11 percent of all existing home sales, matching the shared logged in May and the lowest figure on record since NAR began tracking this metric. Nondistress sales have been steadily rising even as the influence of distress sales fades, so the mix of sales is better even if the year-ago comparisons are unflattering. As in May, short sales accounted for three percent of sales in June with foreclosures accounting for eight percent. With a favorable but temporary tax treatment of short sales having expired and an extension not likely, short sales activity will remain light over coming months. The advantage, such as it is, of short sales is they carry a smaller price discount than do foreclosure sales and can be dispensed with more quickly, so fewer short sales could weigh on inventories over coming months.

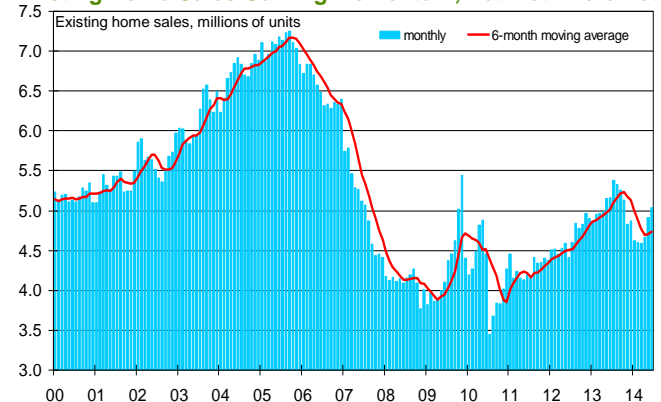
As is typically the case in the month of June, inventories of existing homes for sale rose last month, helping maintain the months supply at 5.5 months despite the faster pace of sales. Moreover, on a year-over-year basis, inventories are up 6.5 percent, the largest such gain since December 2010. With months supply at 5.5 months, inventories are higher than has been the case for some time but still below levels that would prevail in a "normal" housing market.

Sales rose in each of the four broad geographic regions in June, the second consecutive month in which this has been the case. The Midwest and West regions logged the largest gains in sales in June. On an over-the-year basis, sales are higher in the South region but down in the three remaining regions with the 7.3 percent deficit in the West the largest of the three. The West is perhaps where we see the biggest impact of fading inventories of distressed properties, and inventories remain tight. This is reflected in the pace of house price appreciation, with the West leading the way with a 7.1 percent year-over-year increase in the median sales price. This is in contrast to the Northeast region which saw the median sales price decline on an over-the-year basis for a third consecutive month in June.

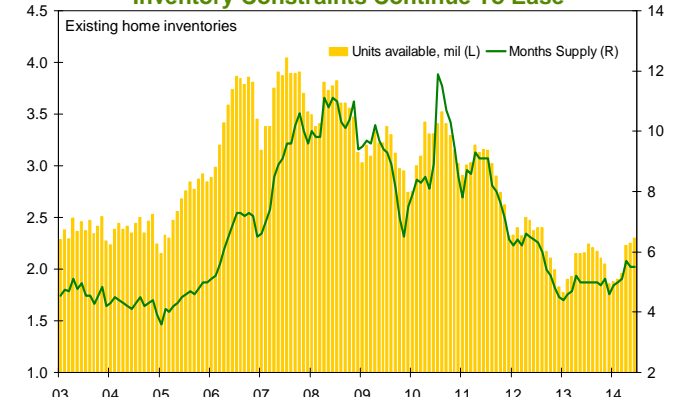
While existing home sales have gained momentum over recent months, there are nonetheless some soft spots that remain. First time buyers accounted for 28 percent of existing home sales in June, up slightly from May but below what would be considered an average share of around 33 percent. What remain stringent mortgage lending standards continue to weigh on sales and, while the pace of job growth has kicked into a higher gear over the past five months, this has yet to translate into a corresponding acceleration in income growth. Mortgage rates have been favorable over the past several months, but without a better pace of income growth any increase in mortgage rates – assuming the much anticipated increase in long-term interest rates actually materializes – will take a bite out of home sales. So, while June's report is encouraging, the real test will be whether or not improving sales will be sustained over coming months.



### Existing Home Sales Gaining Momentum, But Not There Yet




### Inventory Constraints Continue To Ease




### Sales Stabilizing Across Regions

