Existing Home Sales Rise In October & Over the Year

Housing Recovery Beginning to Gain Traction

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Existing home sales in October rose modestly (+40,000 SAAR) to 4.79 million units despite some modest regional impact from Super Storm Sandy. Sales of all housing types (single family detached, condo and co-op units as well as townhouse units rose 2.1% over the month from a downwardly revised 4.69 million units in September. Over the year, sales rose 10.9% from the 4.32 million sales recorded a year ago. That marks the eighth consecutive year-over-year increase, a record last matched in the October 2005 to May 2006 time period. The **median price** recorded in October was $178,600 for all four property types. The single family detached sector dominated sales activity with 4.22 million units sold (SAAR) at a median price of $178,700. The median price was 10.9% higher than recorded a year ago.

First time homebuyers accounted for 1.48 million purchases or 31% of total. The ratio was 32% in September and 34% a year ago. **All cash sales** totaled 1.39 million or about 29% of all sales. That is up fractionally from 28% a month ago. Investors dominated the cash buyer category with 20% of all homes sold during the month.

Total **inventory** fell 1.4% to 2.14 million units at the end of October. That is a 5.4 month supply and is the lowest recorded inventory since February 2006 when it stood at 5.2 months. Nevertheless, inventories have been contracting for several months and that has led to shortages in certain markets and has been putting upward pressure on prices in those areas. Listed inventory is also down 21.9% from its year ago levels. The average time on the market was just 71 days in September. The inventory condition requires careful monitoring as supply shortages are beginning to appear and they are pushing up the median price in some areas. In the west, for example, where the shortage is most evident, the median price rose 21.2% year-over-year to $242,100 as sales volume rose 4.4% to 1.18 million units; 3.5% higher than a year ago.

Distress sales, which includes foreclosures and short sales, remained flat at 24% of all sales in September. There were about 1.15 million distress transactions in October on an annualized basis. The breakdown was evenly divided at 12% foreclosure and 12% short sale. Distress transactions accounted for 30% of all transactions a year ago so the trend is in the right direction. Foreclosures sold for about 20% less than an otherwise comparable but non-distressed home while short sales sold at an average price of 14% less. These gaps changed only fractionally over the month.

Super Storm Sandy appears to have had only a modest impact on sales as it occurred at the very end of the month. Nevertheless, the storm impacted a very broad area encompassing around 16% of the nation's housing stock and 10.1% of the nation's households. The storm impacted area also represents about 13.2% of the nation's GDP.

Current condition and outlook. Housing markets are clearly tightening as indicated by months of supply now being slightly below the six month mark; a marker generally considered to be a normal level and consistent with a normally functioning market. Nevertheless, the housing market is still not functioning normally and we fully expect more short term fluctuations in both sales volume and median price until long absent equilibrium returns to the market. While the number of distress transactions appears to be slowing, that may be deceiving as there remains a huge number of seriously delinquent loans which servicers are struggling to push through the pipeline. We expect the number of distressed transactions to rise again later this year and into 2013 and that will contribute to yet more market volatility. Our outlook for housing is one of "guarded optimism." While housing recovery is underway and is steadily gaining traction, it remains erratic and will likely remain that way until employment rebounds.

OCTOBER EXISTING HOUSING STATS AT A GLANCE

Existing Home Sales Volume
4.79 million units (SAAR)
Median Price $178,600

SFR Detached 4.22 million units
Median Price $178,700

First Time Buyers 1.48 million
31% of Total Sales

Cash Purchases
1.39 million units
29% of Total | 20% Investors

Distress Sales 1.15 million units
24% of Total Sales
12% Foreclosures
12% Short Sales

Distress Gap—Foreclosure 20%
Distress Gap—Short Sale 14%

Months of Existing Home
Inventory 5.4

Median Time On Market 71 Days
SOURCE: NAR

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