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Existing Home Sales Dip Seasonally In December

Housing Recovery Still Solidly In Place

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Existing home sales dipped slightly in December to 4.94 million units from a downwardly revised 4.99 million units a month earlier. Data are from the National Association of Realtors (NAR) and are at a seasonally adjusted annual rate (SAAR). The total existing home sale and median price numbers include single family detached homes as well as condominium, co-op and townhouse units. The December total is 12.8% higher than the 4.38 million-unit total recorded a year ago. The median price in December for all housing types was $180,800 which is 11.5% higher than a year ago. Single family detached home sales dominated total existing sales at 4.35 million units at a median price of $180,300.

NAR reports all monthly sales data at a seasonally adjusted annual rate. At the end of the year, however, total sales and median price are reported for the year without seasonal adjustment. The preliminary 12 month sales total for all housing types in 2012 was 4.65 million units. That is up 9.2% from the total of 4.26 million sales recorded in 2011 and is the highest sales volume since 2007 when 5.03 million sales were recorded. The 2012 rate of increase was also the strongest since 2004. The overall 2012 median price was $176,600. The annual totals will almost certainly be revised over the next month or two. Historically, however, the revisions have been within a fairly narrow range.

In our view, the slight dip in volume is not reason for concern. It appears to be seasonal and most importantly, housing recovery remains intact. Nevertheless, there are still headwinds that may shake recovery but not derail it. Indeed, the most significant threats continue to be historically high unemployment, diminished household wealth, foreclosures and shadow inventory, potential sequestration related job losses, stagnant wages and, of course, the impact of the largest one year tax increase in U.S. history which was driven by the fiscal cliff legislation and healthcare reform. Overall, our outlook for housing remains one of "guarded optimism."

Looking behind the December numbers, **first time homebuyers** accounted for about 1.48 million purchases or about 30% of the annualized total. The ratio was 31% in October and 35% a year ago. **All cash sales** totaled 1.43 million units or about 29% of all sales. That ratio has been consistent over the last few months and has changed only fractionally. The share of investor cash purchases rose slightly to 21% of all sales. The investor share was 19% a month ago but has hovered in a consistent range throughout 2012.

Total **inventory** fell 8.5% to 1.82 million homes available for sale. That is a 4.4 month supply at the current sales pace. Listed inventory is a significant 21.6% below a year ago. The current housing supply is the lowest since the peak of the housing boom in May 2005 when inventory represented a 4.3 month supply. Low inventory levels are clearly putting upward pressure on home prices. In December, the average time on market was 70 days. That too is consistent with where it has been for several months. We expect the tight inventory situation to abate during the spring and summer selling seasons as prices continue to rise and more potential home sellers enter the market. That should return inventory, price increases and marketing time to more normal and sustainable levels.

Distress sales, which includes foreclosures and short sales, ticked up slightly to 1.18 million units or 24% of all sale transactions. The breakdown was divided equally between foreclosure and short sale at 12% each. Foreclosures sold for about 17% less than an otherwise comparable but non-distressed home while short sales sold at an average price of 16% less. These gaps changed only modestly over the month. Shadow inventory (loans 90 days+ delinquent or in foreclosure) have declined to 1.8 million loans however that is still enough to keep foreclosures at higher than normal levels into the short term future.

DECEMBER EXISTING HOUSING STATS AT A GLANCE

Existing Home Sales Volume
4.94 million units (SAAR)
Median Price $180,800

SFR Detached 4.35 million units
Median Price $180,300

Preliminary Full Year Total
4.65 million units
Median Price $176,600

First Time Buyers 1.48 million units
30% of Total Sales

Cash Purchases
1.43 million units
29% of Total | 21% Investors

Distress Sales 1.18million units
24 % of Total Sales
12% Foreclosures
12% Short Sales

Distress Gap—Foreclosure 17%
Distress Gap—Short Sale 16%

Existing Home Inventory
1.82 million units | 4.4 months

Median Time On Market 73 Days
SOURCE: NAR

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