New York • London • Boston • Chicago
DECISION ECONOMICS, INC.
Information for Decisions™

New York: 212 884 9440
London: 011 44 20 7814 6706
Boston: 617 994 0500
Email: decisioneconomics@pdeeco.com

Pierre Ellis

January 20, 2012

Existing Home Sales

December existing home sales rise an in-line 5.0% (Consensus: +5.2%; Decision Economics: +3.2%) from a prior-month level revised down by 0.7%.

The new increase falls notably short of the recent strengthening in pending home sales, suggesting that transactions continue to break down at a relatively high rate--whether because of borrower-credit issues or appraisal shortfalls.

But, the month also saw a big 9.2% drop in the inventory of houses for sale, yanking the months supply down by a full month--to 6.2 from 7.2. That ratio is back to mid-2006 levels, though still up a tough step from the 4-5 zone prevalent before the housing-boom years.

The inventory change is the most significant development in the report--though also the one most easily subject to reversal, if potential sellers come out of the woodwork or if more of the foreclosure inventory flows into the market.

Assuming the months-supply improvement sticks, however, the upshot could be stabler prices, and more-predictable appraisals, as for-sale signs become less conspicuous and potential buyers perceive the market tipping away from them.

This is yet another incremental-progress number that will probably fail to persuade Fed doves that the situation is improving fast enough, and also suggest to them that further credit-oriented help to the housing sector would have a quick payoff. Hawks will, as all along, prefer not to interfere--any further--with the natural healing process of the economy.

© 2012 Decision Economics, Inc. All rights reserved. Reproduction in whole or in part without the written permission of the copyright owner is prohibited.