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COMMENTARY

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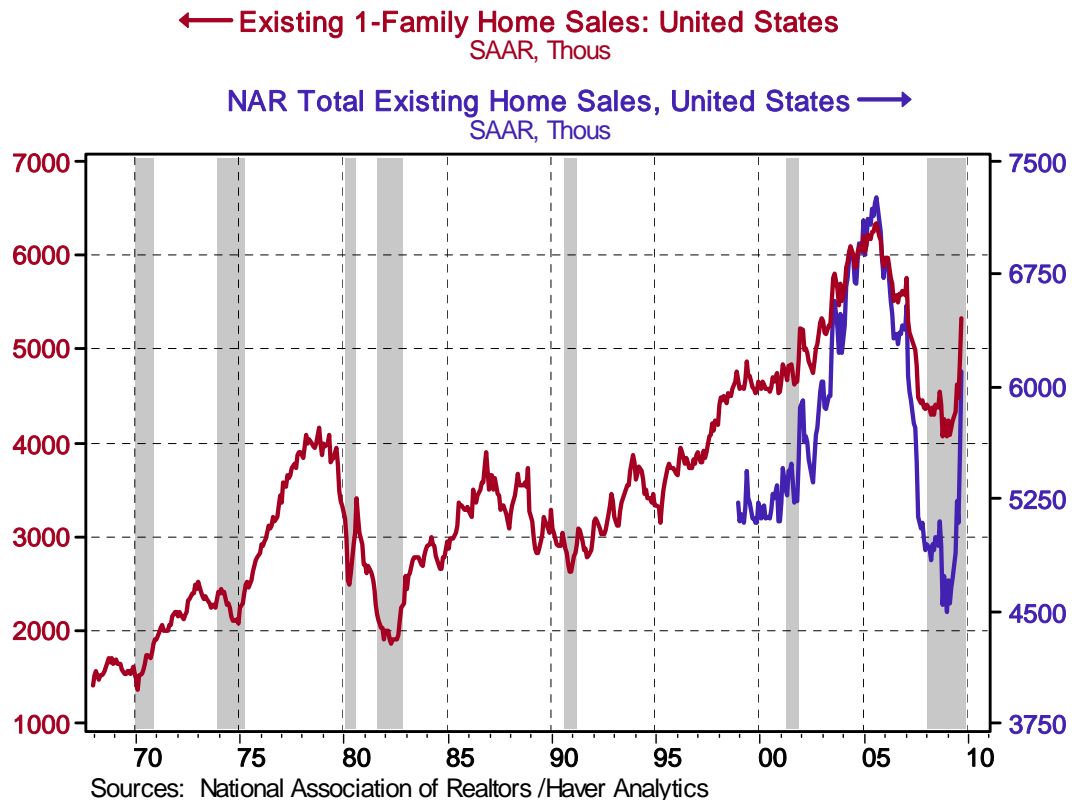
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## Low Mortgage Rates and Tax Credit Lift Sales of Existing Homes

November 23, 2009

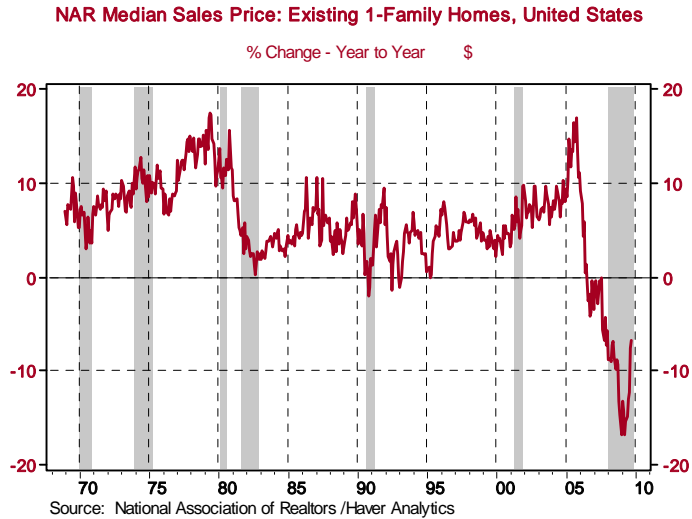
Sales of all existing homes rose 10.1% to an annual rate of 6.1 million units in October. Attractive mortgage rates and the first-time home buyer tax credit of \$8000 helped to boost sales of existing homes. The tax credit program has been expanded and extended to April 30, 2010. Sales of single-family existing homes advanced 9.7% to an annual rate of 5.33 million units in October. Sales of single-family existing homes have moved up nearly 32% from the cycle low of 4.05 million homes in January 2009. The peak of single-family existing home sales was in September 2005 (6.34 million units). On a regional basis, sales of existing homes increased in all four regions of the nation, the strongest performance was in the Midwest (+14.4%) and smallest gain was recorded in the West (+1.6%).

Chart 1



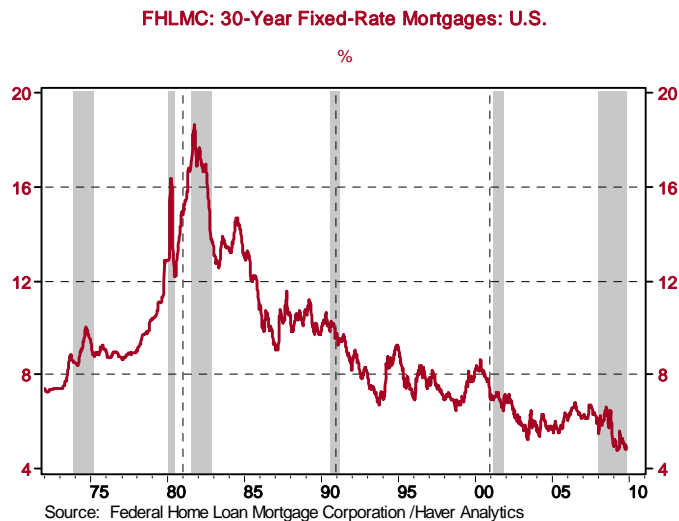
The median price of an existing single-family home declined 1.6% to \$173,100 in October from the prior month and it is down 6.8% from a year ago. The year-to-year decline of the median price shows a significant moderation, with the October reading the smallest since June 2008.

Chart 2



As a result of the low mortgage rates (see chart 3) and the first-time home buyer tax credit of \$8000, the supply of unsold single-family existing homes in October dropped to nearly 7-month supply, which is slightly below the historical median of 7.2-month supply (see chart 4).

Chart 3



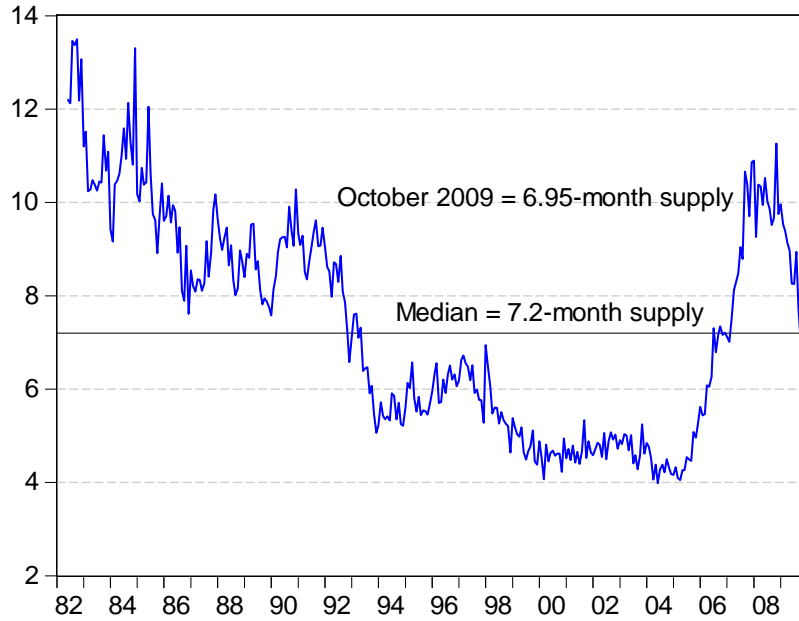
The important implication is that the declining trend of the number of unsold existing homes should establish price stability. Additional home sales will be possible as the economy recovers and hiring recovers.

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Chart 4

Existing Single-Family Homes - Inventories/Sales Ratio  
Months' Supply, SA



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