

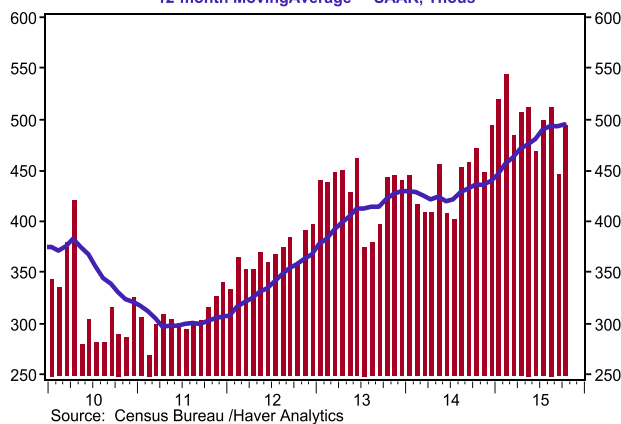
October New Home Sales

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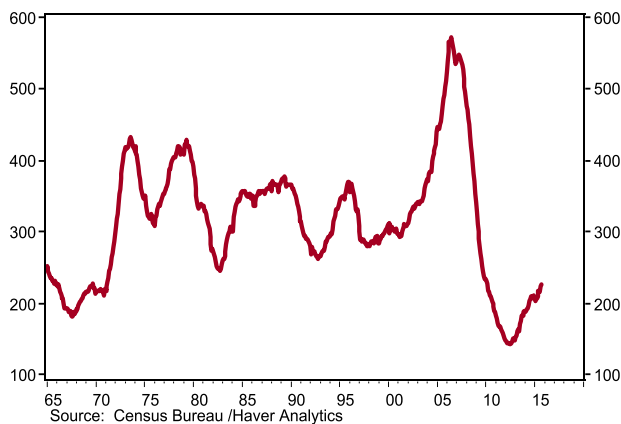
- New single-family home sales increased 10.7% in October to a 495,000 annual rate, coming in slightly below the consensus expected pace of 500,000. Sales are up 4.9% from a year ago.
- Sales rose in the Northeast, South and Midwest, but fell in the West.
- The months' supply of new homes (how long it would take to sell the homes in inventory) fell to 5.5 months in October from 6.0 in September. The decline was entirely due to a faster pace of sales. Inventories rose by 3,000 units.
- The median price of new homes sold was \$281,500 in October, down 6.0% from a year ago. The average price of new homes sold was \$366,000, down 4.7% versus last year.

Implications: New home sales posted a healthy gain in October, rebounding sharply from September's steep decline. Sales increased 10.7% in October to a 495,000 annual rate and are up 4.9% in the past year. The increased pace of sales more than offset a 3,000 unit rise in inventories, so the months' supply of new homes – how long it would take to sell all the homes in inventory at the current sales pace – fell to 5.5 months. That's right in line with the 5.6 months average over the past 20 years. It's important to remember that, even with October's jump in sales, the current pace of 495,000 new homes sold is still low relative to history. Given population growth rates, sales should roughly double to about 900,000 over the next few years. We think a few reasons have contributed to the slow rebound in the pace of sales. First, a larger share of the population is renting. Second, buyers have shifted slightly from single-family homes, which are counted in the new home sales data, to multi-family homes (think condos in cities), which are not counted in this report. Third, although we are seeing a thaw, financing is still more difficult than it has been in the past. The trend is what matters, though, and the trend in sales has been up and should stay that way in the year ahead. Although some analysts may jump on the weak price data in today's report, with median prices down 6% from a year ago, that reflects a shift in the "mix" of homes being sold, with sales growing fastest in lower-priced categories. We think the Case-Shiller and FHFA indexes are much better measures of home price trends, as they are insulated from the shift in the mix of homes sold. And this morning's FHFA index, which measures prices for homes financed with conforming mortgages, increased 0.8% in September and is up 6.1% from a year ago. This report sends the same signal as yesterday's Case-Shiller index, which suggests that price gains are (modestly) accelerating again, due in part to a lack of inventory in the housing sector. As a result, look for home construction to accelerate in 2016.

New 1-Family Houses Sold
 SAAR, Thous
New 1-Family Houses Sold
 12-month Moving Average SAAR, Thous



New 1-Family Houses For Sale: United States
 SA, Thous



New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Oct-15		Sep-15	Aug-15	3-mo	6-mo	Yr to Yr
	% Ch	Level			moving avg	moving avg	% Change
New Single Family Homes Sales	10.7%	495	447	513	485	490	4.9
Northeast	135.3%	40	17	32	30	28	60.0
Midwest	5.3%	60	57	59	59	60	-4.8
South	8.9%	281	258	297	279	279	5.2
West	-0.9%	114	115	125	118	122	-2.6
Median Sales Price (\$, NSA)	-8.5%	281,500	307,800	294,600	294,633	292,750	-6.0
		Oct-15	Sep-15	Aug-15	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		5.5	6.0	5.1	5.5	5.4	5.2

Source: Bureau of the Census

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