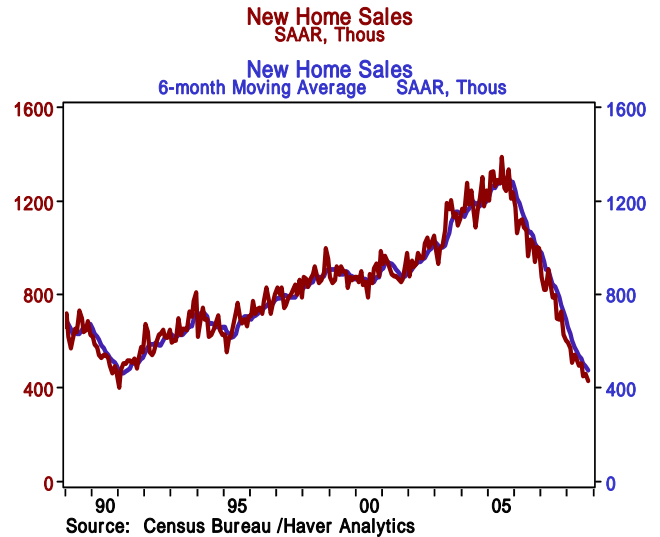


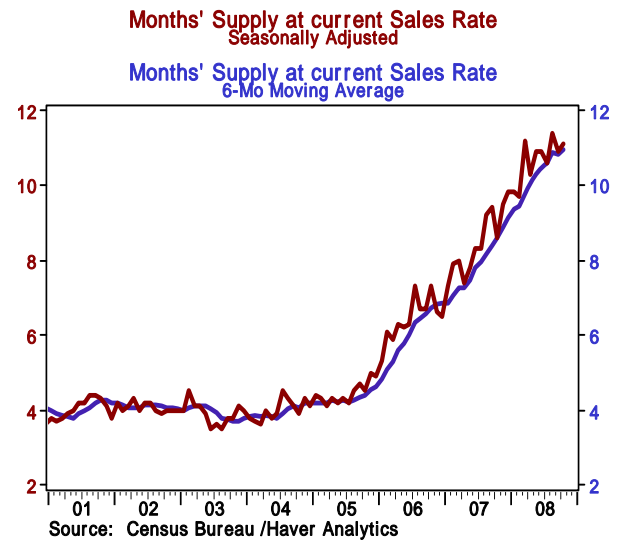
OCTOBER NEW HOME SALES

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- New single-family homes were sold at an annual rate of 433,000 in October, slower than the consensus expected 441,000 pace. Sales are down 40.1% versus a year ago and down 68.8% versus the peak in 2005.
- Sales were down in the South and West, but up in the Northeast and Midwest.
- At the current sales pace, the supply of unsold new homes rose to 11.1 months in October. The inventory of new homes fell to 385,000 in October, down 32.5% from the peak in mid-2006.
- The median price of new homes sold was \$218,000 in October, down 7.0% versus a year ago. The average price of new homes sold was \$272,300, down 12.2% versus last year.



Implications: New single-family homes sales in October dropped to the lowest level since 1991. However, even at this depressed rate of sales, home builders are continuing to work off excess inventories. They are able to do so because new home sales still exceed the number of homes being built for sale (which excludes houses being built to replace teardowns, where someone already owns the property). Total new home inventories are now down to 385,000, the lowest level since 2004. The number of unsold *completed* new homes – a key factor behind future construction and price changes – peaked in January 2008 at 199,000 and is now down to 172,000, the steepest decline on record. There is more pain to come in the housing sector but the light at the end of the tunnel is gradually getting closer. Given the intensity of risk aversion hysteria in October and the recent drop in mortgage rates, we are probably at or very close to the bottom for new home sales. We also anticipate home building will bottom by late 2009 and price declines in the year ahead will not be harsh as in the past year.



New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Oct-08		Sep-08	Aug-08	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
New Single Family Homes Sales	-5.3%	433	457	454	448	477	-40.1
Northeast	22.6%	38	31	30	33	34	-41.5
Midwest	6.0%	71	67	76	71	71	-44.5
South	-6.0%	233	248	256	246	264	-38.5
West	-18.0%	91	111	92	98	108	-39.7
Median Sales Price (\$, NSA)	-1.7%	218,000	221,700	220,800	220,167	226,900	-7.0
		Oct-08	Sep-08	Aug-08	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		11.1	10.9	11.4	11.1	11.0	10.5

Source: Bureau of the Census