

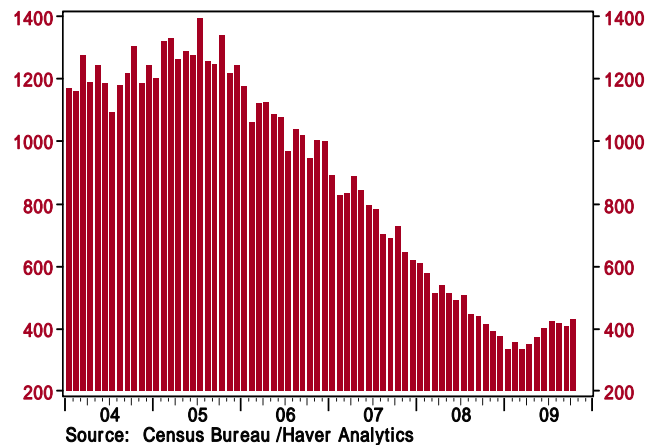
# OCTOBER NEW HOME SALES

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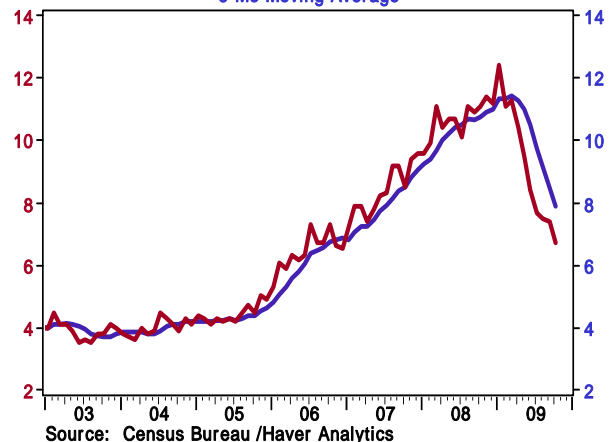
- New single-family home sales increased 6.2% in October to a 430,000 annual rate, easily beating the consensus expected pace of 404,000. Sales are up 30.7% versus the January low.
- Sales were up in substantially in the South, but down in the Midwest, Northeast and West.
- At the current sales pace, the supply of unsold new homes dropped to 6.7 months in October. A faster pace of sales and a decline in the inventory of unsold new homes both contributed to the lower months' supply. Inventories fell to 239,000 in October, down 58.2% from the peak in mid-2006, and the lowest since mid-1971.
- The median price of new homes sold was \$212,200 in October, down just 0.5% from a year ago. The average price of new homes sold was \$261,100, down 4.7% versus last year.

**Implications:** After a two-month lull, new home sales surged in October, resuming the upward climb of the spring and early summer. Sales are up 30.7% from the January low and, for the first time since 2005, are up on a year-ago comparison basis. Although some of the increase in sales this year is probably due to the new homebuyer tax credit, we think the increasing affordability of homes (a combination of lower prices and low fixed mortgage rates) are the main factors. Over the next few years, we expect the pace of new home sales to gradually return to a long-term trend of about 950,000 per year, leaving substantial room for continued improvement. In turn, gains in new home sales will translate into a faster pace of home building. New home inventories are already at a 38-year low, despite a large increase in the US population over that time frame. At the peak in 2006, builders were working on 336,000 new homes that had yet to be sold; now only 103,000 unsold homes are still under construction. In other news this morning, the University of Michigan Consumer Confidence index rose to 67.4, narrowly beating the consensus expected increase to 67.0.

New 1-Family Houses Sold: United States  
SAAR, Thous



Months' Supply at current Sales Rate  
Seasonally Adjusted  
Months' Supply at current Sales Rate  
6-Mo Moving Average



New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Oct-09		Sep-09	Aug-09	3-mo	6-mo	Yr to Yr
	% Ch	Level			moving avg	moving avg	% Change
<b>New Single Family Homes Sales</b>	6.2%	430	405	415	417	407	5.1
Northeast	-5.1%	37	39	38	38	36	5.7
Midwest	-20.0%	56	70	55	60	58	-11.1
South	23.2%	244	198	212	218	213	8.4
West	-5.1%	93	98	110	100	100	8.1
<b>Median Sales Price (\$, NSA)</b>	0.7%	212,200	210,700	206,300	209,733	213,400	-0.5
		Oct-09	Sep-09	Aug-09	3-mo Avg	6-mo Avg	12-mo Avg
<b>Months' Supply at Current Sales Rate (Levels)</b>		6.7	7.4	7.5	7.2	7.9	9.6

Source: Bureau of the Census