

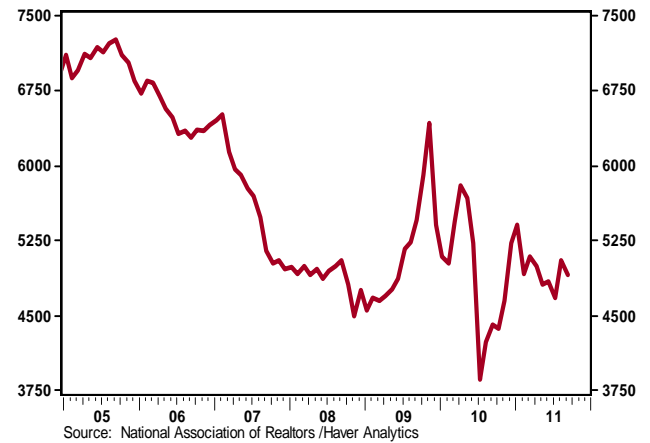
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September Existing Home Sales

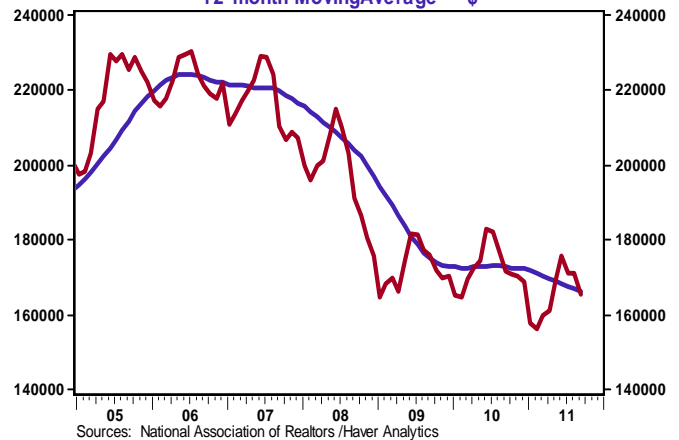
- Existing home sales fell 3.0% in September to an annual rate of 4.91 million units, matching consensus expectations. Existing home sales are up 11.3% versus a year ago.
- Sales in September were down in the Midwest, South, and West, but up in the Northeast. All of the decline in overall sales was due to single-family homes. Sales of condos/coops rose slightly.
- The median price of an existing home fell to \$165,400 in September (not seasonally adjusted), and is down 3.5% versus a year ago. Average prices are down 2.5% versus last year.
- The months' supply of existing homes (how long it would take to sell the entire inventory at the current sales rate) ticked up to 8.5 from 8.4 in August. The rise in the months' supply was all due to a slower pace of sales. Inventories of homes for sale fell slightly.

Implications: Sales of existing homes came in right as the consensus expected, falling slightly after the large increase in August. Sales have seemed to stabilize around a 4.6 to 5.0 million annual rate. The National Association of Realtors said that cancelled contracts to buy existing homes increased to 18% in September from a more typical 9% - 10% over the past year. This might have been related to hurricane storm damage but also shows that credit conditions remain tough despite low mortgage rates. No wonder all-cash transactions accounted for 30% of sales in September, versus a traditional share of 10%. While a large portion of sales came from distressed properties (such as foreclosures and short sales), this is necessary for inventories to continue to be worked off and for the housing market to ultimately recover. The inventory of existing homes is down 13% in the past year and homes available for sale this September were at the lowest level for any September since 2005. In other news this morning, the Philadelphia Fed index, a measure of manufacturing activity in that region, increased sharply to +8.7 in October from -17.5 in September. The consensus had expected -9.4. We believe the index was beaten down in prior months because of negative sentiment, not an actual drop in activity. Now, with fears of a recession starting to decline, the index is getting back to normal, reflecting industrial growth. Also this morning, new claims for unemployment insurance declined 6,000 last week to 403,000. The four-week moving average is also 403,000, versus 440,000 in May. Continuing claims for regular state benefits increased 25,000 to 3.72 million.

NAR Total Existing Home Sales, United States
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Existing Home Sales: Median Sales Price
 Existing Home Sales: Median Sales Price
 12-month Moving Average



Existing Home Sales	Sep-11		Aug-11	Jul-11	3-month	6-month	Yr to Yr % Change
	% Ch.	level					
<i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>							
Existing Home Sales	-3.0%	4910	5060	4670	4880	4882	11.3
Northeast	2.6%	790	770	750	770	767	6.8
Midwest	-0.9%	1090	1100	1050	1080	1067	17.2
South	-2.6%	1890	1940	1840	1890	1890	10.5
West	-8.8%	1140	1250	1040	1143	1158	10.7
Median Sales Price (\$, NSA)	-3.4%	165400	171200	171200	169267	168967	-3.5

Source: National Association of Realtors