

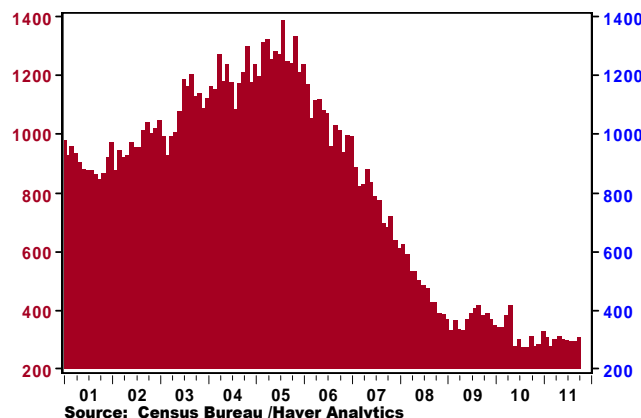
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September New Home Sales

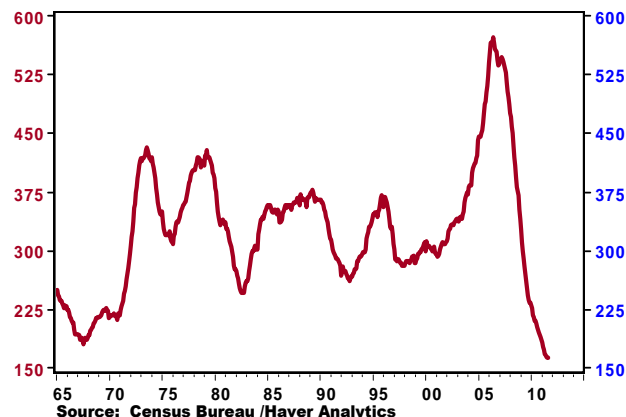
- New single-family home sales increased 5.7% in September, coming in at a 313,000 annual rate versus a consensus expected pace of 300,000.
- Sales were up in the South and West, but down in the Northeast and Midwest.
- At the current sales pace, the months' supply of new homes (how long it would take to sell the homes in inventory) dropped to 6.2. The decline in the months' supply was all due to the faster pace of sales. Inventories remained unchanged in September but remain at their lowest level on record, dating back to 1963.
- The median price of new homes sold was \$204,400 in September, down 10.4% from a year ago. The average price of new homes sold was \$243,900, down 9.9% versus last year.

Implications: New home sales increased 5.7% in September and beat consensus expectations. However, they still remain in the narrow and low range they have been in for the past year and a half. Eventually, we believe new home sales will move back up to an annual pace of about 950,000, roughly three times the current rate. But that will take several years as builders face tight credit conditions and compete against bargain-priced existing homes, many of which are foreclosed properties and short sales. The best news in today's report was that the months' supply of new homes declined to 6.2 in September. With the exception of the surge in sales in early 2010, due to the homebuyer credit, this is the lowest months' supply since 2006. Meanwhile, the inventory of homes is at the lowest level on record. Interestingly, one segment of inventories has increased: the number of homes for sale where builders have not yet started construction. This turn suggests builders are starting to anticipate the eventual large gains in sales we are forecasting. On the price front, the median price of a new home is down 10.4% versus a year ago while average prices are down 9.9%. In other recent news on home prices, the Case-Shiller index, which measures prices in the 20 largest metro areas, was unchanged in August (seasonally-adjusted) and down 3.8% versus a year ago. The FHFA index, which measures prices for homes financed by conforming mortgages, declined 0.1% in August and is down 4% from a year ago. A year from now, we think these price indices will be up slightly from current levels.

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



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



| New Home Sales | Sep-11 | | Aug-11 | Jul-11 | 3-mo moving avg | 6-mo moving avg | Yr to Yr % Change |
|--|---------------|----------------|---------------|---------------|-----------------|-----------------|-------------------|
| | % Ch | Level | | | | | |
| <i>All Data Seasonally Adjusted, Levels in Thousands</i> | | | | | | | |
| New Single Family Homes Sales | 5.7% | 313 | 296 | 297 | 302 | 306 | -0.9 |
| Northeast | -4.2% | 23 | 24 | 24 | 24 | 22 | -34.3 |
| Midwest | -12.2% | 43 | 49 | 46 | 46 | 44 | -14.0 |
| South | 11.2% | 179 | 161 | 165 | 168 | 170 | 9.8 |
| West | 9.7% | 68 | 62 | 62 | 64 | 70 | 0.0 |
| Median Sales Price (\$, NSA) | -3.1% | 204,400 | 210,900 | 230,900 | 215,400 | 222,183 | -10.4 |
| | | Sep-11 | Aug-11 | Jul-11 | 3-mo Avg | 6-mo Avg | 12-mo Avg |
| Months' Supply at Current Sales Rate (Levels) | | 6.2 | 6.6 | 6.7 | 6.5 | 6.5 | 7.1 |

Source: Bureau of the Census