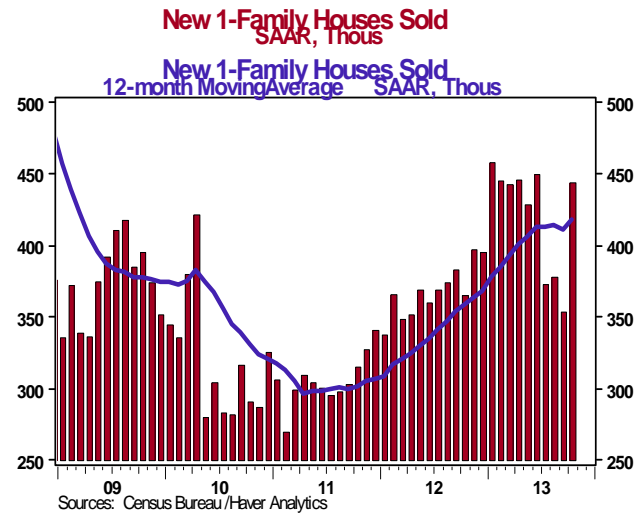


October New Home Sales

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- New single-family home sales rose 25.4% in October to a 444,000 annual rate, coming in well above the consensus expected pace of 429,000. Sales are up 21.6% from a year ago.
- Sales were up in all major areas of the country.
- The months' supply of new homes (how long it would take to sell the homes in inventory) fell to 4.9 in October from 6.4 in September. The decline in the months' supply was due to the faster selling pace of homes as well as an inventory decline of 7,000 units.
- The median price of new homes sold was \$245,800 in October, down 0.6% from a year ago. The average price of new homes sold was \$321,700 up 12.7% versus last year.

Implications: Due to the government shutdown in October, data for new home sales was delayed. So today we received both September and October numbers. New home sales took a nosedive in September but then boomed in October rising 25.4%, the biggest monthly gain in over 30 years. So, in the face of higher mortgage rates and an increase in inventories of existing homes, which should be drawing some buyers away from buying new homes, the market for new homes continues to improve. It has by no means been a straight line higher, but, as shown in the chart to the right, the 12-month moving average for new home sales is at its highest level since March 2009. The inventory of new homes is up 25.5% from a year ago. However, we don't see these gains as anything to worry about. The months' supply of new homes – how long it would take to sell all the new homes in inventory – declined to 4.9 in October, below the average of 5.7 over the past twenty years. As a result, as the pace of sales continues to recover, home builders can keep increasing inventories. Another way to think about it is that the construction of new homes can outpace a rising pace of sales over the next few years. On the pricing front, the median sales price of a new home was down 0.6% from a year ago. We do not believe that prices will remain negative year over year, but will slow somewhat from the double digits increases we have been seeing over this past year.



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



New Home Sales	Oct-13		Sep-13	Aug-13	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	25.4%	444	354	379	392	405	21.6
Northeast	19.2%	31	26	29	29	30	29.2
Midwest	34.0%	63	47	57	56	58	21.2
South	28.2%	259	202	212	224	224	41.5
West	15.2%	91	79	81	84	94	-14.2
Median Sales Price (\$, NSA)	-4.5%	245,800	257,400	258,600	253,933	257,917	-0.6
		Oct-13	Sep-13	Aug-13	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		4.9	6.4	5.6	5.6	5.2	4.7

Source: Bureau of the Census