

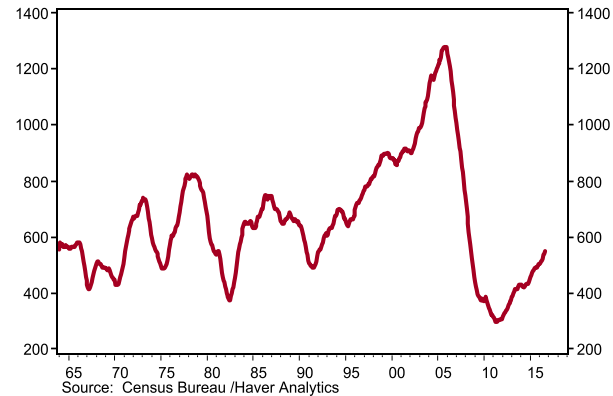
September New Home Sales

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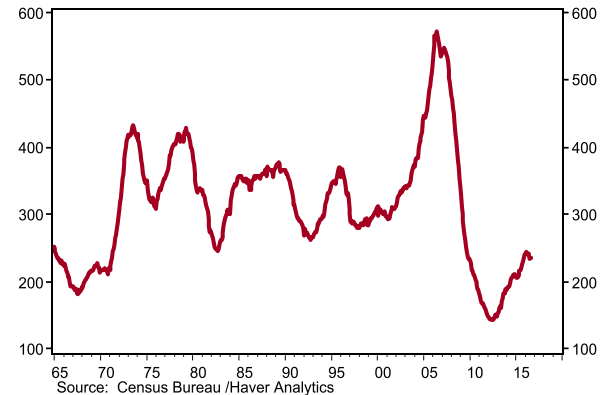
- New single-family home sales increased 3.1% in September to a 593,000 annual rate, coming in below the consensus expected pace of 600,000. Sales are up 29.8% from a year ago.
- Sales rose in the Northeast, Midwest, and South, but fell in the West.
- The months' supply of new homes (how long it would take to sell the homes in inventory) fell to 4.8 months in September from 4.9 in August. The drop in the months' supply was due to a faster sales pace as well as a decline in inventories of 1,000 units in September.
- The median price of new homes sold was \$313,500 in September, up 1.9% from a year ago. The average price of new homes sold was \$377,700, up 2.7% versus last year.

Implications: After taking a breather in August, new home sales resumed their climb in September. Sales rose 3.1% for the month and are now up 29.8% versus a year ago. In fact, excluding July, September posted the fastest sales pace since 2008! Look for even faster sales in the year ahead as builders step up construction. For the time being, however, low inventories remain an obstacle to even higher sales. The inventory of unsold homes fell 1,000 in September and remains very low by historical standards (see chart to right). Moreover, the only category of inventories that rose in September was homes where construction has yet to start. This shows builders are falling behind the demand for new homes and signals plenty of room to increase both construction and inventories. Going forward, we think there are a few reasons to expect housing to remain a positive factor for the economy. First, employment gains continue and wage growth is accelerating. Second, the mortgage market is starting to thaw. Third, the homeownership rate remains depressed as a larger share of the population is renting, leaving plenty of potential buyers as conditions continue to improve. Unlike single-family homes which are counted in the new home sales data, multi-family homes (think condos in cities) are not counted. So a shift back toward single family units will also serve to push reported sales higher. In other recent housing news, the national Case-Shiller price index rose 0.6% in August and is up 5.3% from a year ago. Price gains were led by Portland, Seattle, Denver, and Dallas. Meanwhile, the FHFA index, which measures prices for homes purchased with conforming mortgages, rose 0.7% in August (the most in five months) and is up 6.4% from a year ago. Notably, both measures of home prices show an acceleration compared to the year ending in August 2015. On the manufacturing front, the Richmond Fed index, which measures mid-Atlantic factory sentiment, rose to -4 in October from -8 in September. It's early, but we're forecasting the national ISM Manufacturing report to increase modestly for October.

New 1-Family Houses Sold: United States
 12-month Moving Average SAAR, Thous



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



New Home Sales	Sep-16		Aug-16	Jul-16	3-mo	6-mo	Yr to Yr
	% Ch	Level			moving avg	moving avg	% Change
<i>All Data Seasonally Adjusted, Levels in Thousands</i>							
New Single Family Homes Sales	3.1%	593	575	629	599	582	29.8
Northeast	33.3%	32	24	36	31	32	60.0
Midwest	8.6%	76	70	81	76	73	33.3
South	3.4%	338	327	369	345	333	25.7
West	-4.5%	147	154	143	148	144	32.4
Median Sales Price (\$, NSA)	6.7%	313,500	293,800	295,500	300,933	306,950	1.9
		Sep-16	Aug-16	Jul-16	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		4.8	4.9	4.5	4.7	4.9	5.2

Source: Bureau of the Census