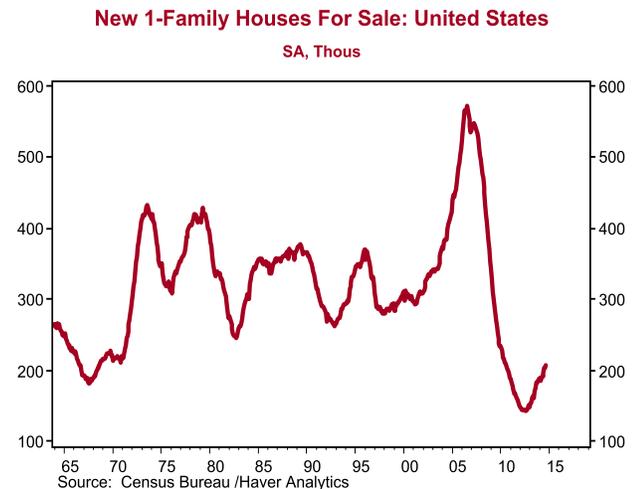
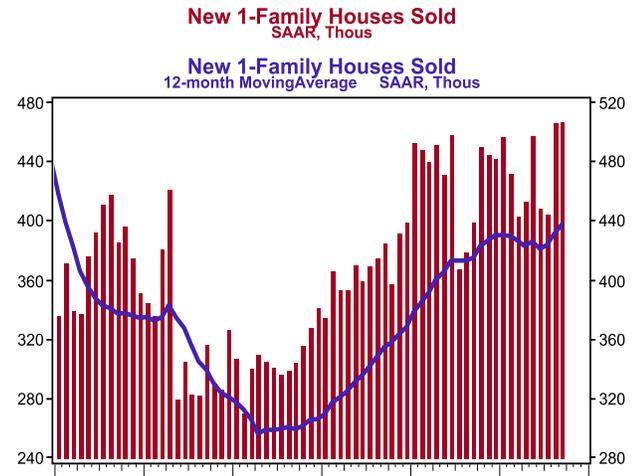


September New Home Sales

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- New single-family home sales rose 0.2% in September to a 467,000 annual rate, coming in slightly below the consensus expected pace of 470,000. Sales are up 17.0% from a year ago.
- Sales rose in the Midwest and South, were unchanged in the Northeast, and were down in the West.
- The months' supply of new homes (how long it would take to sell the homes in inventory) was unchanged in September at 5.3 months as the faster sales pace offset a 3,000 unit increase in inventories.
- The median price of new homes sold was \$259,000 in September, down 4.0% from a year ago. The average price of new homes sold was \$313,200, down 2.6% versus last year.

Implications: Looks like we're getting a thaw in mortgage lending. New single-family home sales rose 0.2% in September, coming in 17% higher than a year ago and at the highest level in more than six years. This comes on the heels of Tuesday's report, which showed a solid gain in financed existing home sales (as opposed to all-cash deals). Nonetheless, new home sales still remain at depressed levels relative to where they should be by now in the recovery and we believe there are a few key reasons for this. First, the homeownership rate remains depressed as a larger share of the population is renting. Second, buyers have shifted slightly from single-family homes, which are counted in the new home sales data, to multi-family homes (think condos in cities), which are not counted in the report. Third, although we may be seeing a thaw, financing is still more difficult than it has been in the past. The inventory of new homes rose 3,000 in September, but still remains very low as the chart to the right shows, and most of the inventory gains are for homes not started, instead of homes completed. As a result, homebuilders still have plenty of room to increase both construction and inventories. Although the median sales price for a new home was 4% lower than a year ago, the drop is due to the "mix" of home sales in that particular month. Sales of homes under \$150,000 made up 13% of sales in September, up from 6% a year ago, another sign of loosening mortgage credit. In other recent home price news, the FHFA index, which measures prices for all homes financed with conforming mortgages, including those not for sale, increased 0.5% in August and is up 4.8% versus a year ago. For comparison, in the year ending in August 2013, the index was up 8.4%. In other words, home prices are still rising but at a slower rate. We expect this trend to continue, with further gains in the year ahead, but more like 3% rather than the faster gains earlier in the housing recovery. In other recent news, new claims for jobless benefits increased 17,000 last week to 283,000. The four-week moving average fell to 281,000, the lowest since May 2000. Continuing claims dropped 38,000 to 2.35 million. It's still early, but plugging these figures into our models suggests payrolls growth of about 250,000 in October, another solid month.



| New Home Sales | Sep-14 | | Aug-14 | Jul-14 | 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 | 0.2% | 467 | 466 | 404 | 446 | 436 | 17.0 |
| Northeast | 0.0% | 30 | 30 | 21 | 27 | 28 | 20.0 |
| Midwest | 12.3% | 64 | 57 | 57 | 59 | 62 | 6.7 |
| South | 2.0% | 261 | 256 | 230 | 249 | 241 | 18.6 |
| West | -8.9% | 112 | 123 | 96 | 110 | 106 | 19.1 |
| Median Sales Price (\$, NSA) | -9.7% | 259,000 | 286,800 | 285,200 | 277,000 | 279,683 | -4.0 |
| | | Sep-14 | Aug-14 | Jul-14 | 3-mo Avg | 6-mo Avg | 12-mo Avg |
| Months' Supply at Current Sales Rate (Levels) | | 5.3 | 5.3 | 6.0 | 5.5 | 5.5 | 5.3 |

Source: Bureau of the Census