

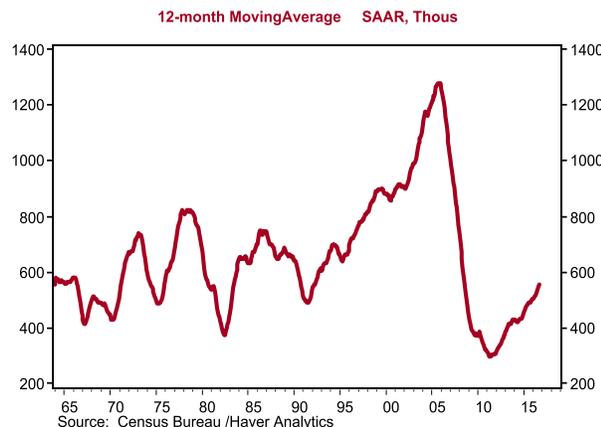
October New Home Sales

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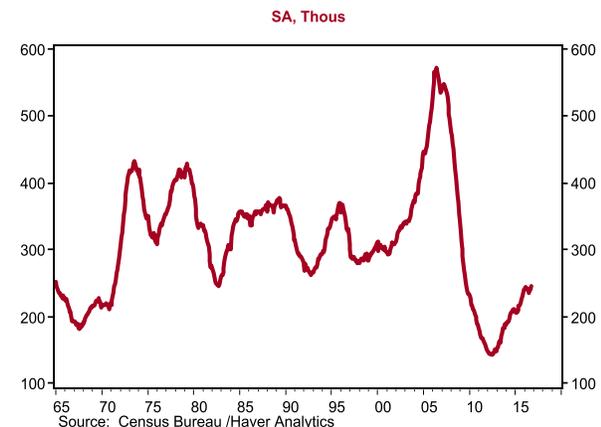
- New single-family home sales declined 1.9% in October to a 563,000 annual rate, coming in below the consensus expected pace of 590,000. Sales are up 17.8% from a year ago.
- Sales fell in the Midwest, Northeast, and South, but rose in the West.
- The months' supply of new homes (how long it would take to sell the homes in inventory) rose to 5.2 months in October from 5.0 in September. The gain in the months' supply was due to a slower sales pace as well as an increase in inventories of 7,000 units in October.
- The median price of new homes sold was \$304,500 in October, up 1.9% from a year ago. The average price of new homes sold was \$354,900, down 3.3% versus last year.

Implications: New home sales took a breather in October after strength in prior months. Sales fell 1.9% in October but are still up 17.8% versus a year ago. The bright spot in today's report was that the inventory of unsold homes rose 7,000 in October, its largest monthly gain since 2013, mostly due to the number of homes under construction. In fact, October had the most homes for sale of any month going back to September 2009. That being said, inventories still remain very low by historical standards (see chart to right). The continued lack of inventory of completed homes 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 housing news this morning, the FHFA index, which measures prices for homes financed with conforming mortgages, increased 0.6% in September. In the past year, these home prices are up 6.1%, very similar to the 6.2% gain in the year ending in September 2015. Look for continued gains in home prices in the year ahead, as jobs keep expanding, wage growth accelerates, and any headwind created by an increase in mortgage rates is offset by expectations of faster future economic growth.

New 1-Family Houses Sold: United States



New 1-Family Houses For Sale: United States



New Home Sales	Oct-16		Sep-16	Aug-16	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	-1.9%	563	574	567	568	575	17.8
Northeast	-9.1%	30	33	24	29	31	-6.3
Midwest	-13.7%	63	73	67	68	72	8.6
South	-3.0%	322	332	333	329	332	17.9
West	8.8%	148	136	143	142	141	28.7
Median Sales Price (\$, NSA)	-3.1%	304,500	314,100	299,600	306,067	305,133	1.9
		Oct-16	Sep-16	Aug-16	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		5.2	5.0	5.1	5.1	5.0	5.2

Source: Bureau of the Census