









# Real Estate Monitor

Monthly Indicator	Recent Figures	Likely Direction Over the Next Six Months	Forecast
<p><b>Existing-home sales</b> rose 0.5% in October to 6.24 million units (seasonally adjusted annualized rate). The level of resales has been hovering around the 6.2-6.3 million range, an indication that sales are stabilizing. The inventory of homes rose as well, which is typical as there is a seasonal “rush” to list homes before the winter. <a href="#">Read more.</a></p>	Aug 6,300 Sep 6,210 Oct 6,240		The bottom may already be past
<p><b>New home sales</b> declined 3.2% in October, posting 1.0 million seasonally adjusted annualized units. While that is 25% below the level of October 2005, it does represent a stabilizing trend – suggesting that the worst of the housing downturn may be over. <a href="#">Read more.</a></p>	Aug 1,000 Sep 1,037 Oct 1,004		Builders cutting production naturally means fewer new homes for sale
<p><b>Housing starts</b> fell sharply in October, declining 15% to 1.5 million units. That is the slowest home building activity since July 2000. Weak sales of new homes have pushed up inventory. Builders are being careful not to “overflow” the market, a positive development since lower production minimizes risks of prolonged home price declines. <a href="#">Read more.</a></p>	Aug 1,659 Sep 1,740 Oct 1,486		Builders need to cut production to reduce inventory
<p><b>Housing affordability</b> rose for a third straight month. The National Association of REALTORS® housing affordability index in October was 107.1. Lower interest rates and a slight correction in home prices contribute to the increase in affordability. <a href="#">Read more.</a></p>	Aug 103.1 Sep 106.5 Oct 107.1		Income rising faster than home prices
<p><b>Mortgage rates</b> The 30-year fixed mortgage rate drifted lower in November, averaging 6.27% for the month. Lower rates are favorable to housing markets, and should soften the landing in recent home sales slump. Rates are expected to hover around the mid 6% range through the end of December. <a href="#">Read more.</a></p>	Sep 6.41% Oct 6.36% Nov 6.27%		To remain near 40-year lows in the upcoming months
<p><b>Purchase applications</b> bounced back to their highest level in five months. The Mortgage Bankers Association’s purchase application index rose to 405.8 in November. Refinance and purchase activities increase after recent rates decline. Home sales in the coming months are expected to rebound. <a href="#">Read more.</a></p>	Sep 395.7 Oct 381.5 Nov 405.8		The bulk of home sales are from existing homes, which are stabilizing
<p><b>Employment</b> The U.S. economy added a net 132,000 jobs to payrolls in November. The employment figures were better than many analysts expected. And while October’s job creation number was revised downward, September’s was revised upward. The job market is in good shape. <a href="#">Read more.</a></p>	Sep 203 Oct 79 Nov 132		Subpar economic growth will lead to only a decent, not robust, job gains
<p><b>Inflation</b> The consumer price index (CPI) fell 0.5% in October. The core index, which excludes food and energy components, rose a mere 0.1%. Energy prices fell sharply – by 7.0%. The transportation sector also posted a significant decrease of 3.1%. While the CPI may rise slowly this winter because of seasonal demand for oil, the increase will be contained. <a href="#">Read more.</a></p>	Aug 0.2% Sep -0.5% Oct -0.5%		Though core inflation is a bit uncomfortably high, the overall inflation will slide

Notes: All rates are seasonally adjusted. Existing home sales, new home sales and housing starts are shown in thousands. Employment growth is shown as month-to-month change in thousands. Inflation is shown as a month-to-month percent change in the Consumer Price Index. Sources: NAR, Bureau of the Census, Bureau of Labor Statistics, Mortgage Bankers Association and Freddie Mac. This report reflects data as of December 8, 2006. Compiled by Wannasiri Chompoopet, Ken Fears, Kevin Thorpe and Lawrence Yun.