









Real Estate Monitor

Monthly Indicator	Recent Figures	Likely Direction Over the Next Six Months	Forecast
<p>Existing-home sales fell 1.9% in September to a seasonally adjusted annualized rate of 6.18 million units – the lowest sales pace since January 2004. Existing-home inventory fell for a second consecutive month. A relatively healthy job market and recent price declines should lead to more buyers entering the market. Read more.</p>	July 6,330 Aug 6,300 Sept 6,180		The worst is pretty much over
<p>New home sales rose 5.3% in September to a seasonally adjusted annualized rate of 1.1 million units – the third consecutive monthly increase. Still, new home sales are down 14.2% from year ago levels. Similar to that for existing homes, new home inventory also fell. Read more.</p>	July 984 Aug 1,021 Sept 1,075		Fewer construction will mean fewer sales of new homes
<p>Housing Starts Housing starts rose 5.9% in September, posting 1.772 million seasonally adjusted annualized units. Both single-family and multifamily starts increased. But starts are still off by 18% from a year ago. Builders' sentiment has continued to fall implying lower new construction activity. Read more.</p>	July 1,760 Aug 1,674 Sept 1,772		Single-family construction to be down 15% and multifamily up 2% in 2007
<p>Housing affordability Housing affordability conditions improved in September. NAR's composite housing affordability index rose 3.9% from August to 107.1. A decrease in mortgage rates as well as softening home prices both helped contribute to the rise in affordability. Read more.</p>	July 99.6 Aug 103.1 Sept 107.1		Wages have been climbing at 4% with home prices actually falling
<p>Mortgage Rates The 30-year fixed mortgage rate slid in October to 6.36% – its lowest level since the first quarter of this year. Rates are expected to hover around mid-to-high 6% for the remainder of the year. Read more.</p>	Aug 6.55% Sept 6.41% Oct 6.36%		Low inflation rates provide comfort to bond investors in accepting low rates
<p>Purchase Applications The Mortgage Bankers Association's purchase application index decreased to 381.5 in October. Buyers are "timing" their entry into the market, and will make the decision to purchase a home when they feel conditions are optimal. Read more.</p>	Aug 383.2 Sept 395.7 Oct 381.5		The bulk of mortgages go for existing home sales that are stabilizing
<p>Employment Payroll employment rose by 92,000 in October, a modest figure in an expanding economy. But figures for August and September were revised significantly upward. In the past 12 months, 1.97 million jobs have been added to the economy. Expect modest improvements in hiring trends over the next three months. Read more.</p>	Aug 230 Sept 148 Oct 92		Unemployment can't possibly go lower than 4.4%, so job expansion while not robust will be respectable
<p>Inflation The consumer price index (CPI) fell 0.5% in September. The core index (excluding food and energy) increased 0.2%. Transportation and energy prices fell noticeably, offsetting mostly modest increases in other sectors. The housing component should moderate in the coming months and leave the core component steady at a sustainable, low level. Read more.</p>	July 0.4% Aug 0.2% Sept -0.5%		Mild oil price crash helping to bring down prices at the pump and overall inflation

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 November 5, 2006. Compiled by Wannasiri Chompoopet, Ken Fears, Kevin Thorpe and Lawrence Yun.