

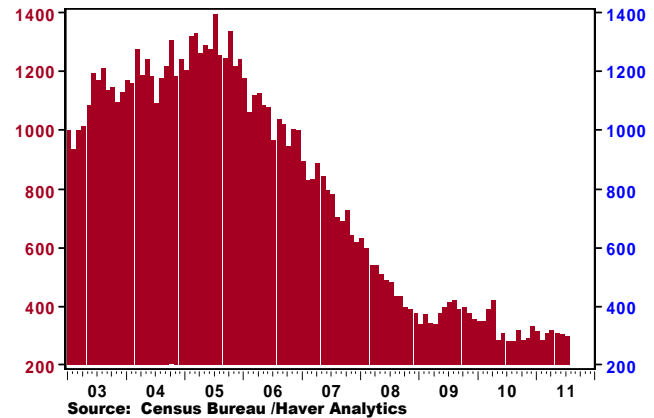
Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Senior Economist
Strider Elass – Economic Analyst
Andrew Hull – Economic Analyst

July New Home Sales

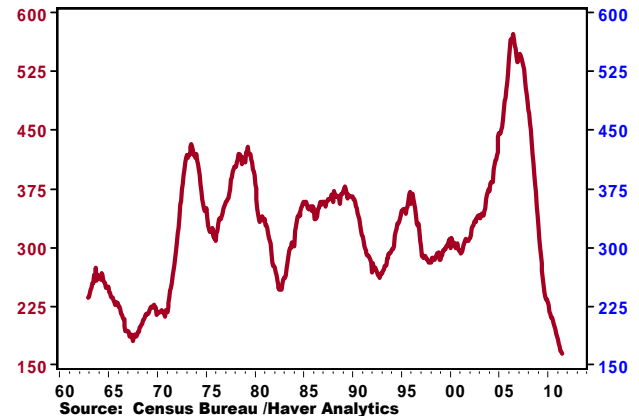
- New single-family home sales fell 0.7% in July, coming in at a 298,000 annual rate versus a consensus expected pace of 310,000.
- Sales were down in the South and West, but up in the Northeast and Midwest.
- At the current sales pace, the months' supply of new homes (how long it would take to sell the homes in inventory) was unchanged at 6.6 months. Inventories fell slightly, but so did the pace of sales. Inventories are at their lowest level on record, dating back to 1963.
- The median price of new homes sold was \$222,000 in July, up 4.7% from a year ago. The average price of new homes sold was \$272,300, up 8.0% versus last year.

Implications: New home sales declined slightly in July, remaining in the very low range they have been in since May 2010. This number is based on contracts signed in July, at the height of the debt ceiling debate and (unwarranted) fears of a government default. New home sales face a number of strong headwinds. Credit conditions remain tight (even as mortgage rates decline) and many existing homes are selling at steep discounts, including foreclosed properties and short sales. However, the inventory of new homes for sale fell to the lowest level on record yet again in July. This is exactly what must happen to speed up the eventual housing recovery. The median price of a new home is up 4.7% versus a year ago while average prices are up 8.0%. In other news this morning, the Richmond Fed index, a measure of manufacturing in the mid-Atlantic, fell to -10 in August from -5 in July. Regional surveys of manufacturing activity have performed poorly so far in August, but this probably reflects the nature of survey data, which can sometimes reflect sentiment rather than actual levels of business activity. Chain-store sales have decelerated modestly so far in August (when they usually slow anyhow) but are still running solidly above year-ago levels, 3.6% according to Redbook, 3% according to the International Council of Shopping Centers.

New 1-Family Houses Sold: United States
 SAAR, Thous



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



New Home Sales	Jul-11		Jun-11	May-11	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	-0.7%	298	300	309	302	302	6.8
Northeast	100.0%	28	14	19	20	22	-3.4
Midwest	2.4%	43	42	42	42	40	0.0
South	-7.4%	163	176	173	171	170	0.0
West	-5.9%	64	68	75	69	70	45.5
Median Sales Price (\$, NSA)	-6.3%	222,000	236,800	221,900	226,900	224,333	4.7
		Jul-11	Jun-11	May-11	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		6.6	6.6	6.5	6.6	6.9	7.4

Source: Bureau of the Census