

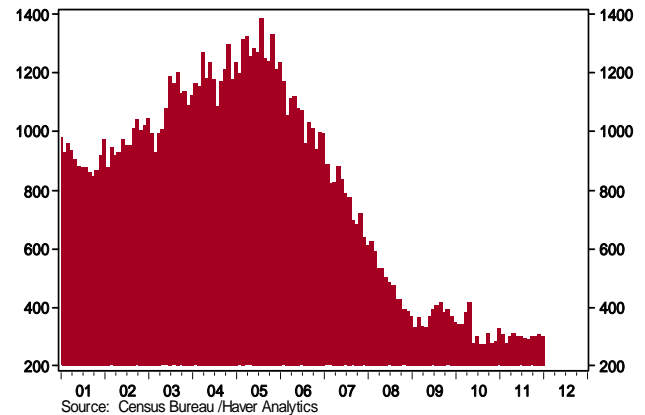
# December New Home Sales

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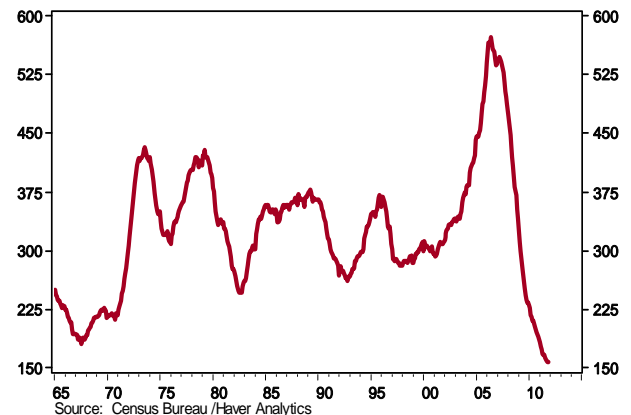
- New single-family home sales fell 2.2% in December to a 307,000 annual rate. The consensus expected a rate of 321,000.
- Sales were down in the South and Midwest, but up in the Northeast and West.
- At the current sales pace, the months' supply of new homes (how long it would take to sell the homes in inventory) rose slightly to 6.1. The increase in the months' supply was due to the slower pace of sales. Inventories ticked down to 157,000 and are at the lowest level on record, dating back to 1963.
- The median price of new homes sold was \$210,300 in December, down 12.8% from a year ago. The average price of new homes sold was \$266,000, down 8.8% versus last year.

**Implications:** New home sales came in below the consensus expected pace of 321,000 in December, but sales remain in the narrow range they have been in since May 2010. Sometime over the next several years, new home sales will rise to an annual pace of about 950,000. But, given tight credit conditions and the large inventory of bargain-priced existing homes – particularly those in foreclosure or being sold short – this will take time. The best news in today's report was the continuing decline in inventories. The number of unsold new homes under construction is at a new record low and the number of unsold completed new homes is close to a record low. This is exactly what needs to happen for there to be a sustained recovery in housing. One positive sign is that builders are wise to the rapid reductions in inventories. The inventory of new homes where construction has yet to start (permits are issued, but building has not begun) is gradually rising – up 12% in the past three months. On the pricing front, median new home prices are down 12.8% from a year ago while average prices are down 8.8% from a year ago. However, prices spiked temporarily late last year, so the comparison is skewed. Mixed news on the housing market yesterday. Pending home sales, which are contracts on existing homes, declined 3.5% in December. However, given the 7.3% gain in pending sales in November, we anticipate that existing home sales, which are counted at closing, probably rose in January. Meanwhile, the FHFA index, which tracks prices on homes financed by conforming mortgages, increased 1% in November and is down only 1.8% versus a year ago. We anticipate a slight rise in home prices in 2012.

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



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



New Home Sales	Dec-11		Nov-11	Oct-11	3-mo	6-mo	Yr to Yr
	% Ch	Level					
<i>All Data Seasonally Adjusted, Levels in Thousands</i>							
<b>New Single Family Homes Sales</b>	-2.2%	307	314	307	309	303	-7.3
<b>Northeast</b>	46.7%	22	15	18	18	20	0.0
<b>Midwest</b>	-3.7%	52	54	51	52	50	36.8
<b>South</b>	-10.1%	160	178	155	164	164	-4.8
<b>West</b>	9.0%	73	67	83	74	69	-29.1
<b>Median Sales Price (\$, NSA)</b>	-2.5%	210,300	215,700	221,100	215,700	218,933	-12.8
		<b>Dec-11</b>	<b>Nov-11</b>	<b>Oct-11</b>	<b>3-mo Avg</b>	<b>6-mo Avg</b>	<b>12-mo Avg</b>
<b>Months' Supply at Current Sales Rate (Levels)</b>		6.1	6.0	6.3	6.1	6.4	6.7

Source: Bureau of the Census