

July New Home Sales

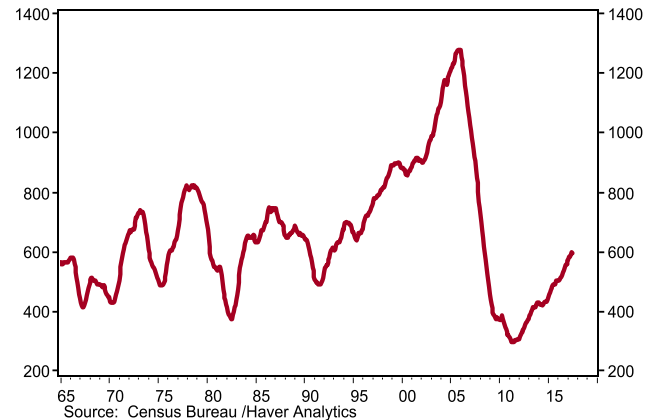
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- New single-family home sales fell 9.4% in July to a 571,000 annual rate, well below the consensus expected 610,000. Sales are down 8.9% from a year ago.
- Sales fell in the Northeast, West, and South, but rose in the Midwest.
- The months' supply of new homes (how long it would take to sell the homes in inventory) rose to 5.8 months in July from 5.2 months in June. The increase was due to both a slower sales pace and a 4,000 unit rise in inventories.
- The median price of new homes sold was \$313,700 in July, up 6.3% from a year ago. The average price of new homes sold was \$371,200, up 4.6% versus last year.

Implications: No question about it, new home sales were weak in July, coming in well below even the most pessimistic forecast by any economics group. Sales fell 9.4% in July and are now down 8.9% from a year ago. However, there were a couple quirks in today's data that made those headline numbers seem worse than they actually were. June's annualized sales pace was revised upward by 20,000, which meant the 9.4% drop was exaggerated from that higher level. If the pace of home sales in June had been left unrevised, the drop in July would have been 6.4%. In addition, July 2016 was the strongest monthly gain for new home sales last year, so the year-ago comparison looks artificially weak. It's important to remember that monthly home sales data are very volatile, and we expect a rebound going forward. Although the inventory of unsold new homes rose 4,000 in July, that's not a sign of overbuilding or a reason to be concerned. The months' supply of new homes – how long it would take to sell all the homes in inventory – is 5.8 months. By contrast, the average over the past decade is 6.7 months. Moreover, 76% of the current inventory is made up of homes where construction either hasn't started yet or is still underway, meaning these aren't completed homes sitting unsold that will create a headwind for future construction. There are a few key reasons for our positive outlook on housing. First, job gains continue, which should put continued upward pressure on wage growth. Second, credit standards in the mortgage market are thawing. Third, the homeownership rate remains depressed as a larger share of the population is renting, leaving plenty of potential buyers as economic conditions continue to improve. Look for the upward trend in new home sales to continue in the next few years, which means more room for construction and inventories as well. In other recent housing news, the FHFA index, which measures prices for homes financed with conforming mortgages, increased 0.1% in June and is up 6.5% in the past year, an acceleration from the 5.9% price gain in the year ending in June 2016. On the manufacturing front, the Richmond Fed index, which measures mid-Atlantic factory sentiment, remained unchanged at a very strong +14 in August, signaling continued health in that sector.

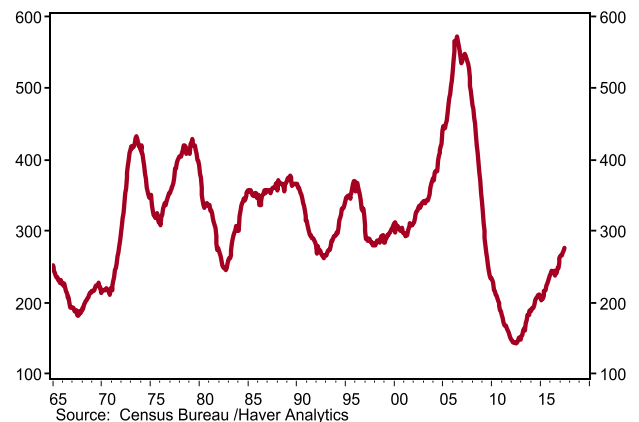
New 1-Family Houses Sold: United States

12-month Moving Average SAAR, Thous



New 1-Family Houses For Sale: United States

SA, Thous



New Home Sales	Jul-17		Jun-17	May-17	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	-9.4%	571	630	618	606	610	-8.9
Northeast	-23.8%	32	42	41	38	38	-13.5
Midwest	6.2%	69	65	64	66	74	-12.7
South	-4.1%	326	340	356	341	338	-11.7
West	-21.3%	144	183	157	161	162	1.4
Median Sales Price (\$, NSA)	0.7%	313,700	311,600	322,800	316,033	313,150	6.3
		Jul-17	Jun-17	May-17	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		5.8	5.2	5.2	5.4	5.3	5.3

Source: Bureau of the Census