

August New Home Sales

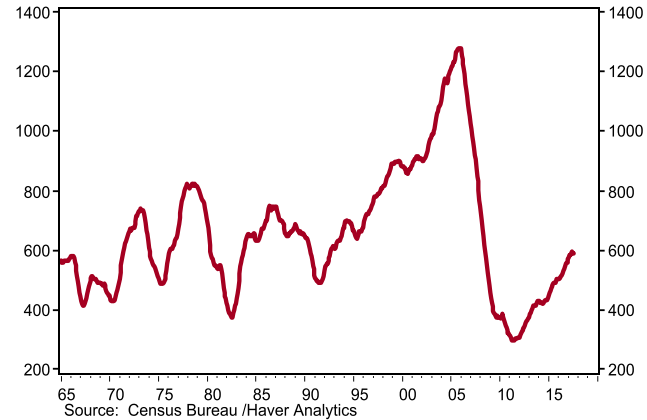
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- New single-family home sales fell 3.4% in August to a 560,000 annual rate, below the consensus expected 585,000. Sales are down 1.2% from a year ago.
- Sales fell in the South, West, and Northeast, but remained unchanged in the Midwest.
- The months' supply of new homes (how long it would take to sell the homes in inventory) rose to 6.1 months in August from 5.7 months in July. The increase was due to both a slower sales pace and a 10,000 unit rise in inventories.
- The median price of new homes sold was \$300,200 in August, up 0.4% from a year ago. The average price of new homes sold was \$368,100, up 3.7% versus last year.

Implications: No one should get bent out of shape by the 3.4% drop in new home sales in August. New home sales are counted when contracts are signed, not at closing, so Hurricane Harvey surely suppressed sales for the month and Irma will likely do the same for September. According to the Census Bureau, areas affected by the storms accounted for 14% of single-family homes authorized in 2016. Survey data in August was only collected from 65% of the sample in these areas versus a normal response rate of 95%. We expect further uncertainty in the housing data over the next couple of months before we begin to get clean readings again. That being said, we expect a rebound in the fourth quarter. Although the inventory of unsold new homes rose 10,000 in August, that's not a sign of overbuilding or a reason to be concerned. All the monthly gain in inventories was made up of homes where construction either hadn't started yet or was still underway, meaning these aren't completed homes sitting unsold that will create a headwind for future construction. Further, new home completions in the South had their largest monthly drop since 2011 in August as the storm held back activity. Going forward, there are a few key reasons we are maintaining a 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 housing news, the Case-Shiller price index increased 0.5% in July and was up 5.9% from a year ago. That's an acceleration from the 4.9% gain in the year ending in July 2016. Further, the FHFA index, which measures prices for homes financed with conforming mortgages, increased 0.2% in July and is up 6.2% in the past year. On the manufacturing front, both the Richmond and Philly Fed indexes, measures of sentiment among manufacturers in those regions, increased in September, rising to +19 from +14, and +23.8 from +18.9, respectively.

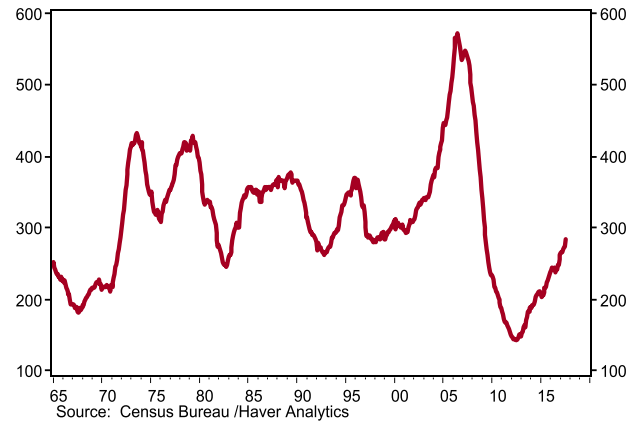
New 1-Family Houses Sold: United States

12-month Moving Average SAAR, Thous



New 1-Family Houses For Sale: United States

SA, Thous



New Home Sales	Aug-17		Jul-17	Jun-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	-3.4%	560	580	614	585	598	-1.2
Northeast	-2.6%	38	39	43	40	40	65.2
Midwest	0.0%	69	69	64	67	70	4.5
South	-4.7%	307	322	330	320	328	-9.2
West	-2.7%	146	150	177	158	160	4.3
Median Sales Price (\$, NSA)	-6.2%	300,200	319,900	316,300	312,133	315,467	0.4
		Aug-17	Jul-17	Jun-17	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		6.1	5.7	5.3	5.7	5.5	5.4

Source: Bureau of the Census