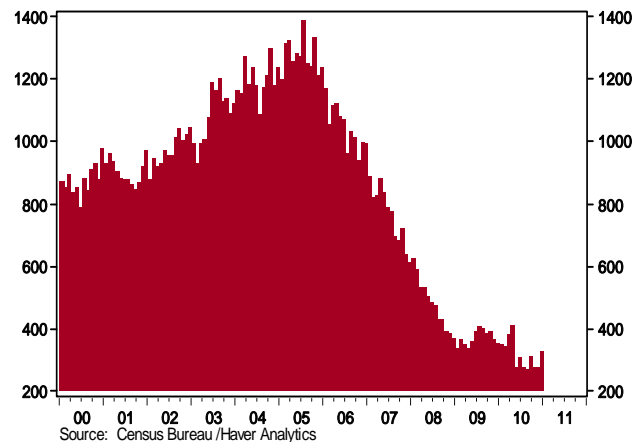


DECEMBER NEW HOME SALES

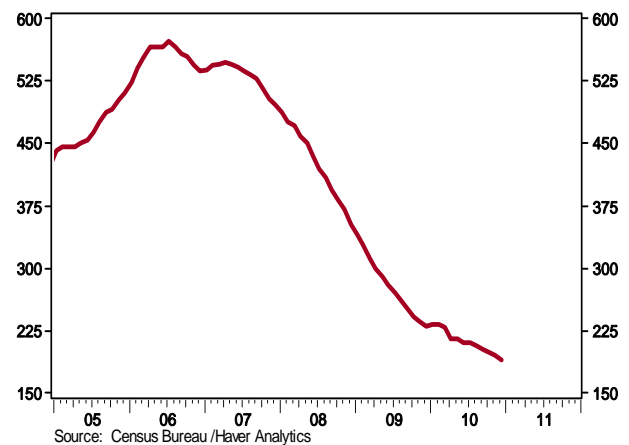
Chief Economist – Brian S. Wesbury
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- New single-family home sales increased 17.5% in December, coming in at a 329,000 annual rate, blowing away the consensus expected pace of 300,000.
- Sales were up in the West, Midwest, and South, but down in the Northeast.
- At the current sales pace, the months' supply of new homes (how long it would take to sell the homes in inventory) fell to 6.9 in December from 8.4 in November. The drop in the months' supply was mainly due to the faster selling pace. The number of homes for sale fell 5,000 to 190,000, down 66.8% versus the peak in 2006 and the lowest level of new homes in inventory since 1968.
- The median price of new homes sold was \$241,500 in December, up 8.5% from a year ago. The average price of new homes sold was \$291,400, up 4.7% versus last year.

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



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



Implications: New home sales jumped 17.5% in December, the biggest percentage gain since 1992, coming in well above consensus expectations. The increase was mostly due to stronger sales in the West. Outside the West, sales were up only slightly. It is important to note that new home inventories are still declining and are already at levels not seen since the late 1960s. As inventories keep falling, homebuilders will eventually need to start building more homes. Given a growing population, the pace of new home sales should roughly triple over the next several years to about 950,000. On the price front, the median price of new homes sold rose to \$241,500 in December, coming in at the highest level since April 2008. This was probably influenced by the large increase of sales in the West where homes are usually priced higher. Median new home prices are up 8.5% versus a year ago. In other recent housing news, the Case-Shiller index, a measure of home prices in the 20 largest metro areas, dipped 0.5% in November (seasonally-adjusted) versus a consensus expected decline of 0.8%. Prices are down 1.6% in the past year, but still up 1.2% versus the cycle low in May 2009. The FHFA index, a price measure for homes financed by conforming mortgages, was unchanged in November but down 4.3% in the past year. In the factory sector, the Richmond Fed index, a measure of manufacturing in the mid-Atlantic, came in at +18 in January versus +25 in December. Although lower, the Richmond index still signals strong growth in manufacturing activity.

New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Dec-10		Nov-10	Oct-10	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
New Single Family Homes Sales	17.5%	329	280	280	296	294	-7.6
Northeast	-5.0%	19	20	30	23	27	-50.0
Midwest	3.2%	32	31	40	34	38	-37.3
South	1.8%	168	165	161	165	162	-8.7
West	71.9%	110	64	49	74	67	32.5
Median Sales Price (\$, NSA)	12.1%	241,500	215,500	201,600	219,533	220,883	8.5
		Dec-10	Nov-10	Oct-10	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		6.9	8.4	8.6	8.0	8.3	8.0

Source: Bureau of the Census