

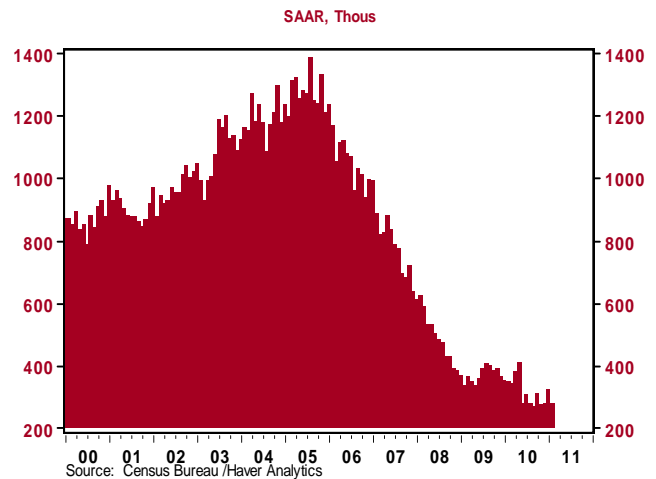
JANUARY NEW HOME SALES

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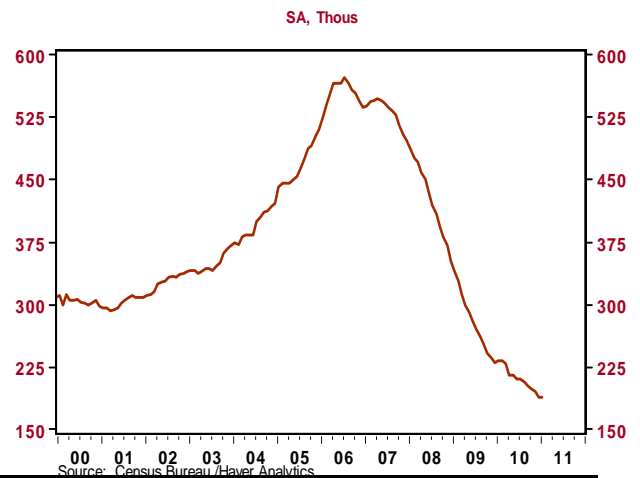
- New single-family home sales declined 12.6% in January, coming in at a 284,000 annual rate, which was below the consensus expected pace of 305,000.
- Sales were down in the South and West, but up in the Northeast and Midwest.
- At the current sales pace, the months' supply of new homes (how long it would take to sell the homes in inventory) increased to 7.9 in January from 7.0 in December. The rise in the months' supply was all due to the slower pace of sales; actual inventories continued to fall and are now at the lowest level since 1967.
- The median price of new homes sold was \$230,600 in January, up 5.7% from a year ago. The average price of new homes sold was \$260,300, down 8.2% versus last year.

Implications: New home sales continue to scrape along the bottom. While unusually bad winter weather may have influenced part of the drop in January, the fact that sales increased in the Northeast and Midwest suggests weather was not the only issue. The bigger and more persistent issue is that there are still far too many near new existing homes on the market, many of which are selling at a steep discount to fair value (or even building costs!) due to foreclosure. The good news is that new home inventories, already at multi-decade lows, continue to drop. Even better, the inventory declines are concentrated in completed homes and those under construction. This is what needs to happen for the housing market to eventually get back to normal levels of building activity. 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 news today was mixed. The median price of new homes is higher than last year, although the average price of new homes is down from a year ago. In other housing news this morning, the FHFA Index, a measure of prices for homes financed by conforming mortgages declined 0.3% in December and is down 3.3% versus a year ago.

New 1-Family Houses Sold: United States



New 1-Family Houses For Sale: United States



New Home Sales	Jan-11		Dec-10	Nov-10	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	-12.6%	284	325	281	297	294	-18.6
Northeast	54.5%	34	22	22	26	29	-19.0
Midwest	17.1%	41	35	32	36	39	-25.5
South	-12.8%	143	164	163	157	157	-17.8
West	-36.5%	66	104	64	78	70	-15.4
Median Sales Price (\$, NSA)	-1.9%	230,600	235,000	221,400	229,000	224,300	5.7
		Jan-11	Dec-10	Nov-10	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		7.9	7.0	8.3	7.7	8.1	8.0

Source: Bureau of the Census