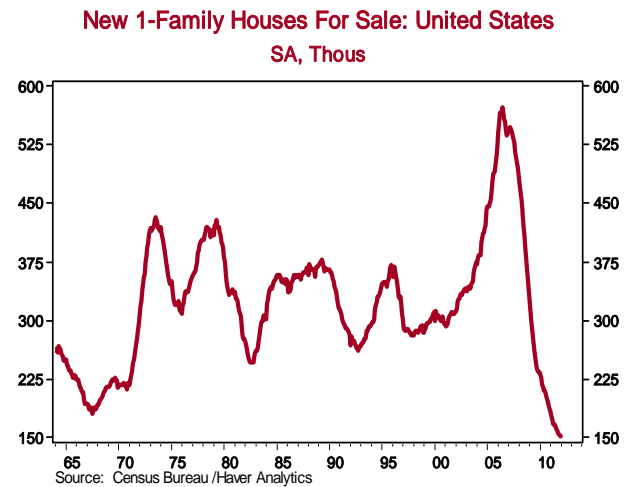
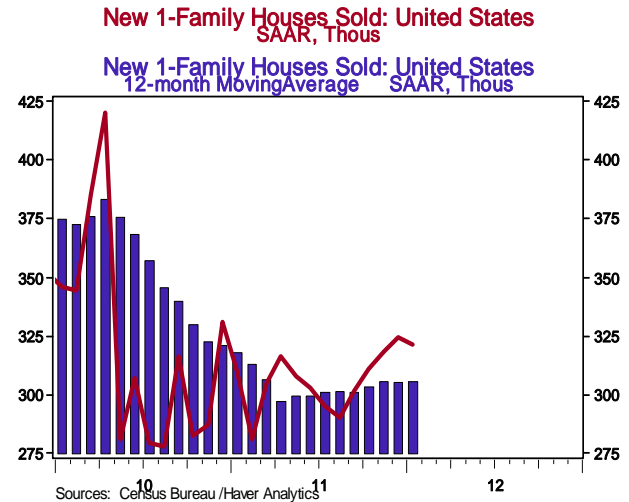


January New Home Sales

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- New single-family home sales fell 0.9% in January to a 321,000 annual rate, beating the consensus expected pace of 315,000.
- Sales were down in the Midwest and West, but up in the Northeast and South.
- The months' supply of new homes (how long it would take to sell the homes in inventory) fell to 5.6, the lowest since 2006. The decline in the months' supply was all due a drop in inventories, which fell to a new record low (dating back to 1963).
- The median price of new homes sold was \$217,100 in January, down 9.6% from a year ago. The average price of new homes sold was \$261,600, down 5.1% versus last year.

Implications: The housing market continues to improve. Although sales dipped slightly in January, that was due to an upward revision to prior months. The pace of sales came in above consensus expectations. As the chart to the right shows, the 12-month moving average of sales has been trending upward. Meanwhile, inventories hit a new record low and the months' supply of homes is the lowest in six years. Sometime over the next several years, 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. 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. On the pricing front, median new home prices are down 9.6% from a year ago while average prices are down 5.1% from a year ago. However, prices spiked temporarily late last year, so the comparison is skewed. In other recent housing news, the FHFA index, a measure of prices for homes financed with conforming mortgages, increased 0.7% in December. Although the index is still down 0.8% from a year ago, it's up 1.8% since the bottom in March, the largest 9-month gain since 2005-06. We expect home prices to continue to move modestly upward in 2012. More broadly for the economy, new claims for unemployment insurance were unchanged at 351,000 last week. The four-week moving average declined to 359,000, the lowest since March 2008. Continuing claims for regular state benefits dropped 52,000 to 3.39 million, the lowest since August 2008.



New Home Sales	Jan-12		Dec-11	Nov-11	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	-0.9%	321	324	318	321	311	3.5
Northeast	11.1%	20	18	16	18	19	-39.4
Midwest	-24.5%	37	49	51	46	47	-11.9
South	9.3%	188	172	182	181	171	15.3
West	-10.6%	76	85	69	77	74	5.6
Median Sales Price (\$, NSA)	0.3%	217,100	216,500	213,100	215,567	218,017	-9.6
		Jan-12	Dec-11	Nov-11	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		5.6	5.7	5.9	5.7	6.1	6.5

Source: Bureau of the Census