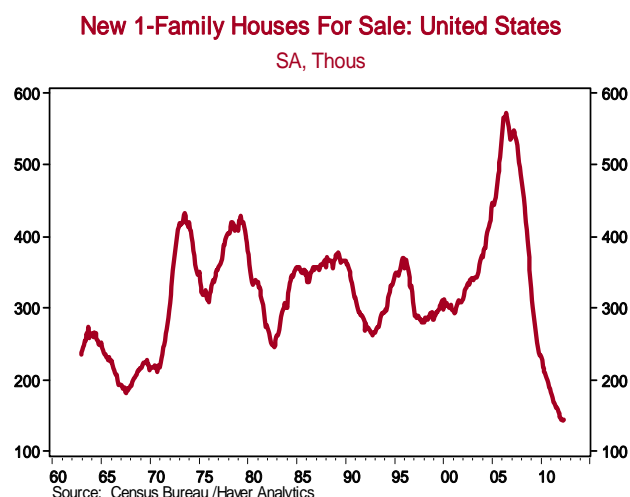
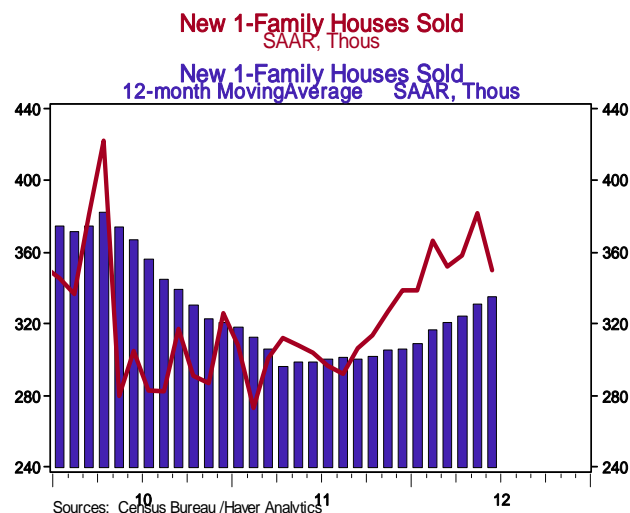


## June New Home Sales

**Brian S. Wesbury** – Chief Economist  
**Robert Stein, CFA** – Senior Economist  
**Strider Elass** – Economic Analyst

- New single-family home sales fell 8.4% in June, to a 350,000 annual rate, falling short of the consensus expected pace of 372,000.
- Sales were down in the Northeast and South, but up in the Midwest and West.
- The months' supply of new homes (how long it would take to sell the homes in inventory) rose to 4.9 from 4.5 in May. The rise in the months' supply was mainly due to a slower selling pace. Inventories also rose slightly for the first time in five years.
- The median price of new homes sold was \$232,600 in June, down 3.2% from a year ago. The average price of new homes sold was \$273,900, up 0.3% versus last year.

**Implications:** The market for new homes should be the last piece of the housing puzzle to fall into place and, despite a decline in sales in June, a gradual recovery trend is still intact. Even though new home sales fell 8.4% last month, they are still up 15.1% from a year ago. The inventory of completed new homes fell again, to the lowest level on record (dating back to 1963). The lack of finished homes – “move-in ready” – is probably making it unusually tough for new homes to compete against the existing home market. However, home builders are finally preparing to correct this issue: due to a gain of new homes that have yet to be started or are under construction, the total number of new homes for sale increased slightly in June, the first increase in any month in five years. They have a long way to go. The months' supply of new homes is now 4.9, still below the average of 5.7 over the past twenty years and not much above the 4.0 months that prevailed in 1998-2004, during the housing boom. Price data on new homes is mixed, with median prices down 3.2% from a year ago but average prices up 0.3%. In other recent housing news, the FHFA index, which tracks prices for homes financed by conforming mortgages, increased 0.8% in May (seasonally-adjusted) and is up 3.7% versus a year ago. In the past three months the index is up at a 13.3% annual rate, the fastest pace for any three months in at least the last twenty years, even including the housing bubble. The worst news so far this week was that the Richmond Fed index, a measure of manufacturing in the mid-Atlantic, dropped to -17 in July, the lowest reading since the recession. This drop hints at further weakness in next week's nationwide ISM manufacturing report. However, it's important to recognize that these indexes sometimes measure sentiment in the business sector much more than actual activity.



New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Jun-12		May-12	Apr-12	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
<b>New Single Family Homes Sales</b>	-8.4%	350	382	358	363	358	15.1
<b>Northeast</b>	-60.0%	16	40	32	29	29	0.0
<b>Midwest</b>	14.6%	55	48	49	51	48	19.6
<b>South</b>	-8.6%	181	198	181	187	192	6.5
<b>West</b>	2.1%	98	96	96	97	90	36.1
<b>Median Sales Price (\$, NSA)</b>	-1.9%	232,600	237,100	236,500	235,400	234,600	-3.2
		<b>Jun-12</b>	<b>May-12</b>	<b>Apr-12</b>	<b>3-mo Avg</b>	<b>6-mo Avg</b>	<b>12-mo Avg</b>
<b>Months' Supply at Current Sales Rate (Levels)</b>		4.9	4.5	4.9	4.8	4.9	5.5

Source: Bureau of the Census