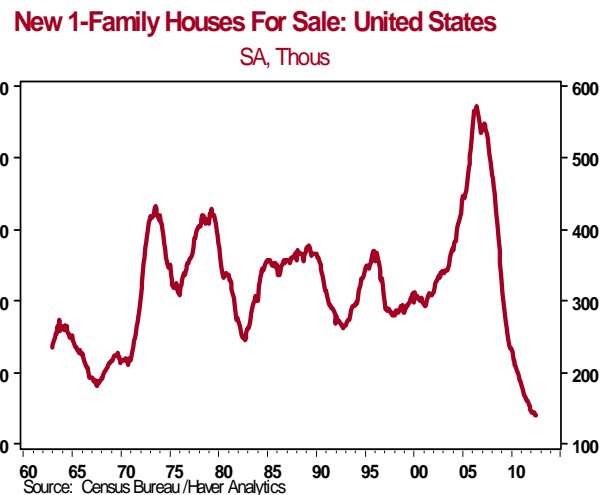
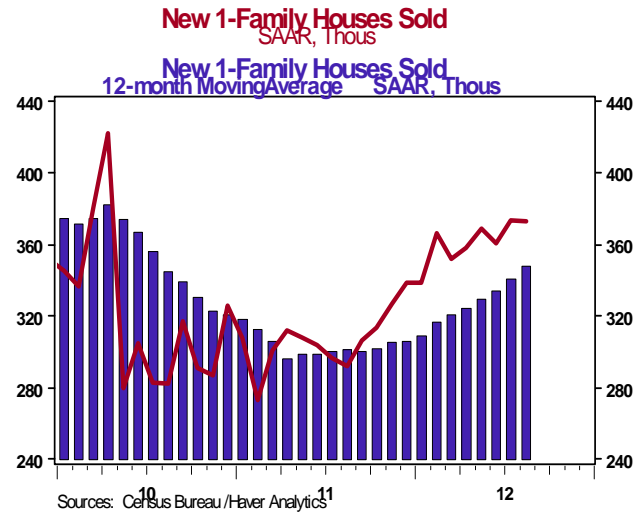


# August New Home Sales

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

- New single-family home sales declined 0.3% in August, to a 373,000 annual rate, coming in slightly below the consensus expected pace of 380,000. Sales are up 27.7% from a year ago.
- Sales were up in the Northeast and Midwest and West, but down in the South.
- The months' supply of new homes (how long it would take to sell the homes in inventory) remained at 4.5. Inventories were unchanged.
- The median price of new homes sold was \$256,900 in August, up 17.0% from a year ago. The average price of new homes sold was \$295,300, up 13.9% versus last year.

**Implications:** The housing market continues to recover. Although new home sales fell slightly in August, they remain near a 2-year high and are up substantially from a year ago, with every major region up in the past twelve months. Meanwhile, as the lower chart to the right shows, overall inventories remain at a record low (dating back to 1963). The months' supply of new homes is 4.5, well below the average of 5.7 over the past 20 years and not much above the 4.0 months that prevailed in 1998-2004, during the housing boom. Home builders are finally preparing to ramp up activity: new homes yet to be started, but where construction is planned, were up 4,000 in August, the largest gain for any month in the past five years. In the meantime, lower inventories are helping push up prices. The median price of a new home was up 11.2% in August, the largest monthly increase ever recorded (data go back to 1963). Median prices are up 17% from a year ago. One of the reasons for the increase in new home prices is that the high-end buyer is getting more active. Homes priced \$400,000+ were 13% of the market in August 2011, but 21% in August 2012. In other recent housing news, the Case-Shiller index, which measures prices in the 20 largest metro areas, increased 0.4% in July (seasonally-adjusted), is up 1.2% from a year ago, and is up at a 9.6% annual rate in the past five months. The FHFA index, which measures prices for homes financed by conforming mortgages, increased 0.2% in July (seasonally-adjusted), is up 3.8% from a year ago, and is up at a 9.4% annual rate in the past five months. On the factory front, the Richmond Fed index, a survey of mid-Atlantic manufacturers, jumped to +4 in September – the highest level since April – from -9 in August. This report plus some other data suggest that the national ISM Manufacturing index will rise about a point to 50.6 in September from 49.6 in August. Friday's Chicago PMI report will help finalize our forecast.



New Home Sales	Aug-12		Jul-12	Jun-12	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
<i>All Data Seasonally Adjusted, Levels in Thousands</i>							
<b>New Single Family Homes Sales</b>	<b>-0.3%</b>	<b>373</b>	374	361	369	365	27.7
<b>Northeast</b>	<b>20.0%</b>	<b>36</b>	30	16	27	30	56.5
<b>Midwest</b>	<b>1.8%</b>	<b>56</b>	55	49	53	50	16.7
<b>South</b>	<b>-4.9%</b>	<b>174</b>	183	185	181	185	11.5
<b>West</b>	<b>0.9%</b>	<b>107</b>	106	111	108	100	64.6
<b>Median Sales Price (\$, NSA)</b>	<b>11.2%</b>	<b>256,900</b>	231,100	231,400	239,800	239,133	17.0
		<b>Aug-12</b>	<b>Jul-12</b>	<b>Jun-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>		<b>4.5</b>	4.5	4.8	4.6	4.7	5.2

Source: Bureau of the Census