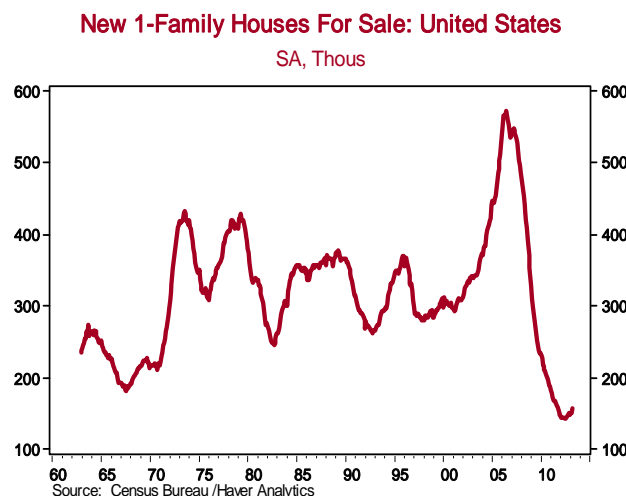
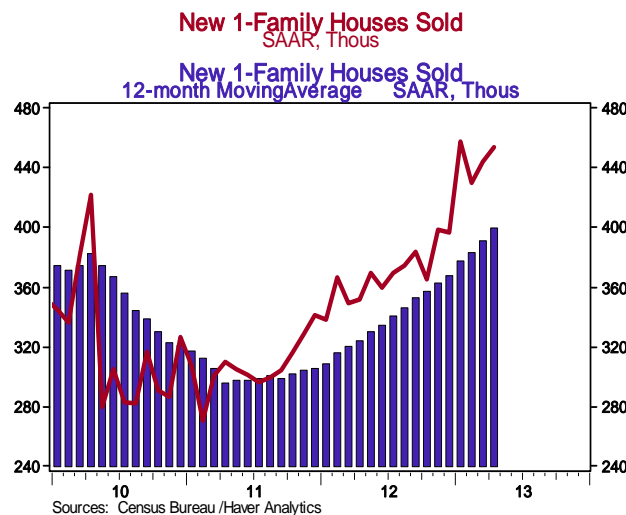


April New Home Sales

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- New single-family home sales rose 2.3% in April to a 454,000 annual rate, easily beating the consensus expected pace of 425,000. Sales are up 29.0% from a year ago.
- Sales were up in the West and South, but down in the Northeast and Midwest.
- The months' supply of new homes (how long it would take to sell the homes in inventory) was unchanged at 4.1 in April. The faster selling pace was offset by a 5,000 unit rise in inventories.
- The median price of new homes sold was \$271,600 in April, up 14.9% from a year ago. The average price of new homes sold was \$330,800, also up 14.9% versus last year.

Implications: The new home market, which is typically the last piece of the housing puzzle to recover, is clearly improving. A lack of inventory in the existing home market appears to be driving buyers to the new home market, where sales were up 2.3% in April and up 29% from a year ago. By contrast, existing home sales are up 9.7% from a year ago. The months' supply of new homes – how long it would take to sell the new homes in inventory – remained unchanged at 4.1, well below the average of 5.7 over the past 20 years and close to the 4.0 months that prevailed in 1998-2004, during the housing boom. As a result, as the pace of sales continues to rise over the next few years, home builders will have room to increase inventories. After a large reduction in inventories over the past several years, builders are getting ready for that transition. Inventories have increased in 7 of the last 9 months. Higher inventories aren't something to worry about and are not leading to more vacant homes; the number of completed new homes still sitting in inventory is at a record low, as buyers swoop in quickly. No wonder prices for new homes are up 14.9% from a year ago. In other housing news today, the FHFA index, which measures prices for homes financed by conforming mortgages, increased 1.3% in March (seasonally-adjusted) and is up 7.2% from a year ago. Expect to see continued price gains across the country in the year ahead. On the employment front, initial claims for unemployment insurance fell 23,000 last week to 340,000. Continuing claims for regular state benefits fell 112,000 to 2.91 million, the fewest since March 2008. Plugging these figures into our models suggests nonfarm payrolls will be up about 180,000 in May. What we have here is a Plow Horse economy that is starting to trot. The fact that the Fed is considering tapering QE is a good thing, not bad. Equities will be noticeably higher at year end than they are today.



| New Home Sales | Apr-13 | | Mar-13 | Feb-13 | 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 | 2.3% | 454 | 444 | 429 | 442 | 430 | 29.0 |
| Northeast | -16.7% | 30 | 36 | 34 | 33 | 32 | 3.4 |
| Midwest | -4.8% | 59 | 62 | 61 | 61 | 55 | 18.0 |
| South | 3.0% | 242 | 235 | 199 | 225 | 224 | 37.5 |
| West | 10.8% | 123 | 111 | 135 | 123 | 119 | 26.8 |
| Median Sales Price (\$, NSA) | 8.3% | 271,600 | 250,700 | 266,300 | 262,867 | 257,233 | 14.9 |
| | | Apr-13 | Mar-13 | Feb-13 | 3-mo Avg | 6-mo Avg | 12-mo Avg |
| Months' Supply at Current Sales Rate (Levels) | | 4.1 | 4.1 | 4.2 | 4.1 | 4.2 | 4.4 |

Source: Bureau of the Census