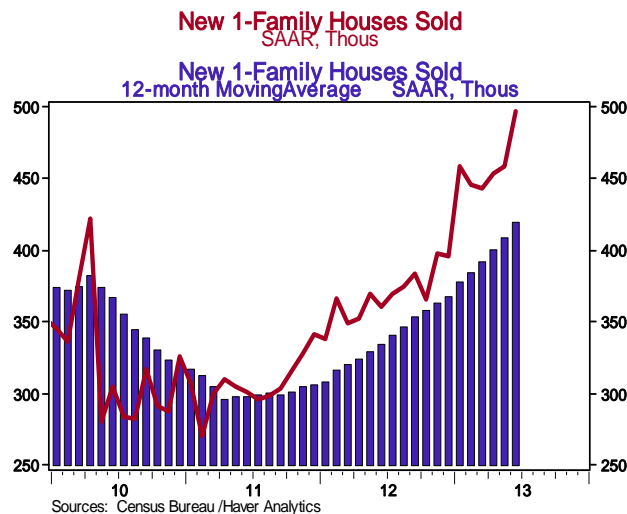


June New Home Sales

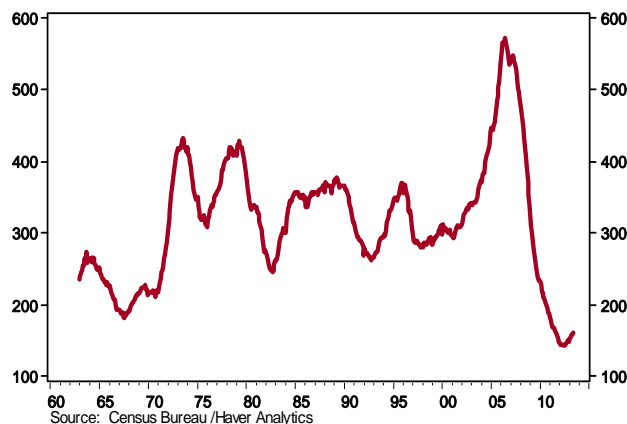
Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Ellass – Economist

- New single-family home sales rose 8.3% in June to a 497,000 annual rate, beating the consensus expected pace of 484,000. Sales are up 38.1% from a year ago.
- Sales were up in the South, Northeast and West, but down in the Midwest.
- The months' supply of new homes (how long it would take to sell the homes in inventory) fell to 3.9 in June from 4.2 in May. The decline in the months' supply was completely due to the faster selling pace of homes. Inventories rose by 2,000 units.
- The median price of new homes sold was \$249,700 in June, up 7.4% from a year ago. The average price of new homes sold was \$295,000, up 8.5% versus last year.

Implications: For those of you worried about how the one percentage point jump in mortgage rates would affect the housing market, today is the first look at purchase contracts signed in June and, just as we expected, there was no impact. New home sales jumped sharply, coming in at the highest pace since May 2008. A lack of inventory in the existing home market appears to be driving buyers to the new home market, where sales were up 8.3% in June and up a massive 38.1% from a year ago. By contrast, existing home sales are up 15.2% from a year ago. The months' supply of new homes – how long it would take to sell the new homes in inventory – fell to 3.9, well below the average of 5.7 over the past 20 years and even below the average of 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 10 of the last 11 months. However, higher inventories aren't something to worry about and are not leading to more vacant homes. The slight rise in new home inventories so far has all been for homes where building has yet to begin. 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 7.4% from a year ago. In other recent housing news, the FHFA index, which measures prices for homes financed with conforming mortgages, increased 0.7% in May and is up 7.3% from a year ago. On the manufacturing front, the Richmond Fed index fell to -11 in July from +7 in June. The report conflicts with gains in other regional factory surveys, such as the Empire State and Philly Fed, which showed better growth in July.



New 1-Family Houses For Sale: United States
 SA, Thous



New Home Sales	Jun-13		May-13	Apr-13	3-mo moving avg	6-mo moving avg	Yr to Yr % Change	
	% Ch	Level						
All Data Seasonally Adjusted, Levels in Thousands								
New Single Family Homes Sales	8.3%	497	459	453	470	459	38.1	
Northeast	18.5%	32	27	28	29	32	100.0	
Midwest	-11.8%	67	76	61	68	65	36.7	
South	10.9%	274	247	260	260	242	46.5	
West	13.8%	124	109	104	112	121	14.8	
Median Sales Price (\$, NSA)	-5.0%	249,700	262,800	282,100	264,867	261,450	7.4	
			Jun-13	May-13	Apr-13	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		3.9	4.2	4.2	4.1	4.1	4.3	

Source: Bureau of the Census