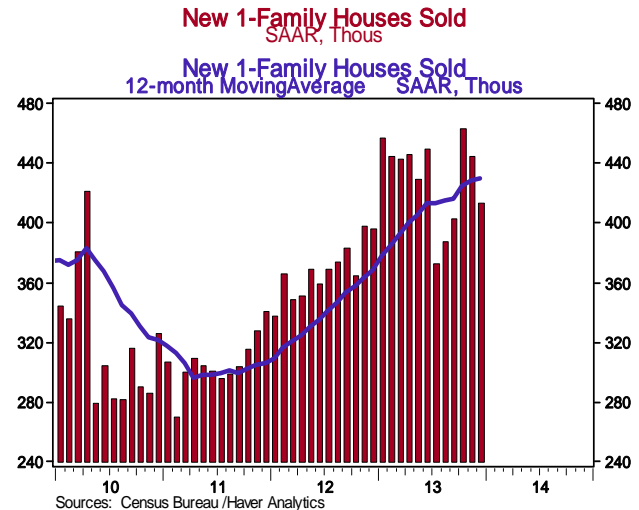


December New Home Sales

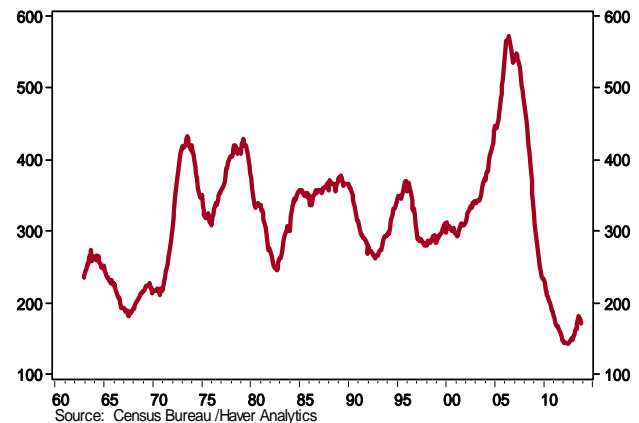
Brian S. Wesbury – Chief Economist
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- New single-family home sales declined 7.0% in December to a 414,000 annual rate, coming in well below the consensus expected pace of 455,000. Sales are up 4.5% from a year ago.
- Sales were down in the Northeast, West and South, but were up in the Midwest.
- The months' supply of new homes (how long it would take to sell the homes in inventory) increased to 5.0 in December from 4.7 in November. The increase in the months' supply was all due to a slower sales pace. Inventory declined 5,000 units.
- The median price of new homes sold was \$270,200 in December, up 4.6% from a year ago. The average price of new homes sold was \$311,400 up 4.1% versus last year.

Implications: New home sales disappointed in December, coming in at a 414,000 annual rate, well below the consensus expected 455,000 pace. Plunges like this sometimes happen in the winter and December was both colder and snowier than usual. As a result, we anticipate a steep rebound in sales as soon as the monthly weather patterns get back to normal. For all of 2013, home builders sold 430,000 new homes, the best level since 2008. As the chart to the right shows, the new home market remains in a clear improving trend. It has by no means been a straight line higher, but the 12-month moving average for new home sales is at its highest level since February 2009. Although the inventory of new homes declined 5,000 units in December, it is still up 14% from a year ago. The months' supply of new homes – how long it would take to sell all the new homes in inventory – rose to 5.0 in December, well below the average of 5.7 over the past twenty years. As a result, as the pace of sales continues to recover in the years ahead, home builders still have plenty of room to increase inventories. Another way to think about it is that the construction of new homes can outpace a rising pace of sales. On the price front, the median sales price of a new home was up 4.6% from a year ago, while average prices are up 4.1%. Prices will continue to rise in the year ahead, but not quite as fast as stronger construction makes more supply available. A slowdown in the pace of home price increases is becoming apparent in other housing data, too.



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



New Home Sales	Dec-13		Nov-13	Oct-13	3-mo	6-mo	Yr to Yr
	% Ch	Level			moving avg	moving avg	% Change
All Data Seasonally Adjusted, Levels in Thousands							
New Single Family Homes Sales	-7.0%	414	445	463	441	414	4.5
Northeast	-36.4%	21	33	33	29	29	-27.6
Midwest	17.6%	60	51	70	60	59	25.0
South	-7.3%	230	248	273	250	232	4.1
West	-8.8%	103	113	87	101	95	5.1
Median Sales Price (\$, NSA)	0.6%	270,200	268,500	260,300	266,333	264,383	4.6
		Dec-13	Nov-13	Oct-13	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		5.0	4.7	4.6	4.8	5.1	4.7

Source: Bureau of the Census