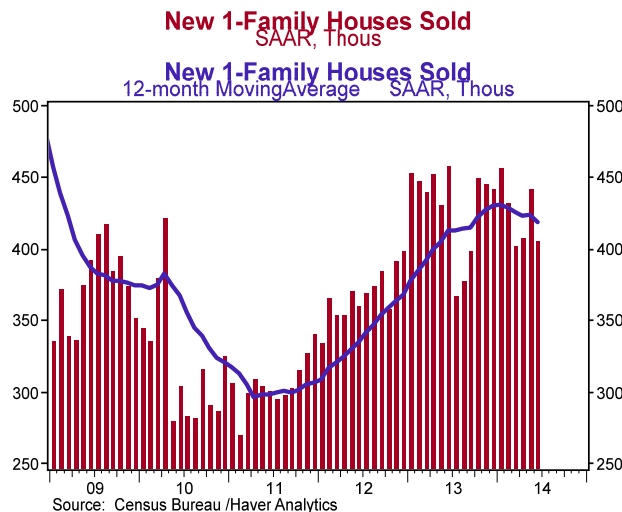


June New Home Sales

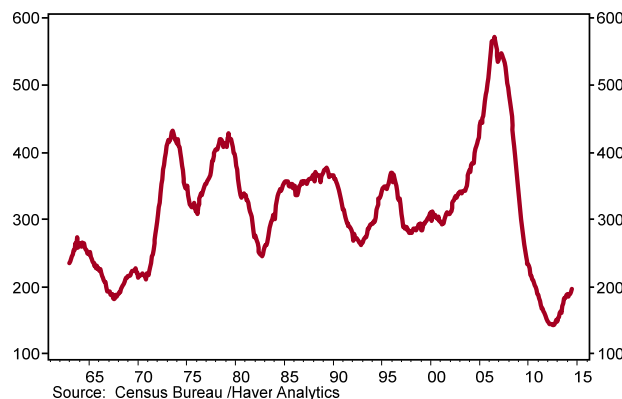
Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
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- New single-family home sales declined 8.1% in June to a 406,000 annual rate, coming in well below the consensus expected pace of 475,000. Sales are down 11.5% from a year ago.
- Sales declined in all major areas of the country.
- The months' supply of new homes (how long it would take to sell the homes in inventory) rose to 5.8 in June from 5.2 in May. The increase in the months' supply was due to a slower sales pace along with an increase in inventories.
- The median price of new homes sold was \$273,500 in June, up 5.3% from a year ago. The average price of new homes sold was \$331,400, up 8.3% versus last year.

Implications: Forget about new home sales for a minute. New claims for unemployment insurance dropped 19,000 last week to 284,000, the lowest since February 2006, which was at the peak of the housing boom. The Labor Department said there was nothing unusual about last week's reports from the states, but noted the data are often volatile this time of year due to summer-related auto plant shutdowns. This suggests there were fewer shutdowns than normal last week. Continuing unemployment claims declined 8,000 to 2.50 million. Plugging these figures into our payroll models, which are rated #1 by Bloomberg for the past two years, suggests nonfarm payrolls increased 218,000 in July, while private payrolls grew 216,000. These forecasts will likely change next week as we get data from ADP and Intuit, as well as one more week of unemployment claims. On the housing front, new single-family home sales dropped steeply in June and were revised substantially lower in May. Today's report came in well below even the most pessimistic forecast for sales in June. This does not mean we are back in a housing recession; home construction remains in an upward trend and new homes sales have been hovering in the same range for the past two years. There are a few key reasons why new home sales remain so low. First, the homeownership rate remains depressed as a larger share of the population is deciding to rent rather than own. Second, buyers have shifted slightly from single-family homes, which are counted in the new home sales data, to multi-family homes (think condos in cities), which are not counted in the report. Third, financing is still more difficult than it has been in the past. The inventory of new homes rose in June, but still remains very low and most of the inventory gains are for homes not started, instead of homes completed. Homebuilders still have plenty of room to increase both construction and inventories. Once again, the housing recovery remains intact, despite the fits and starts which are to be expected when the overall economy is a Plow Horse, not a Race Horse.



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



New Home Sales	Jun-14		May-14	Apr-14	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	-8.1%	406	442	408	419	425	-11.5
Northeast	-20.0%	24	30	21	25	26	-27.3
Midwest	-8.2%	67	73	69	70	62	19.6
South	-9.5%	209	231	224	221	235	-17.4
West	-1.9%	106	108	94	103	102	-9.4
Median Sales Price (\$, NSA)	-3.2%	273,500	282,600	272,600	276,233	274,867	5.3
		Jun-14	May-14	Apr-14	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		5.8	5.2	5.6	5.5	5.4	5.3

Source: Bureau of the Census