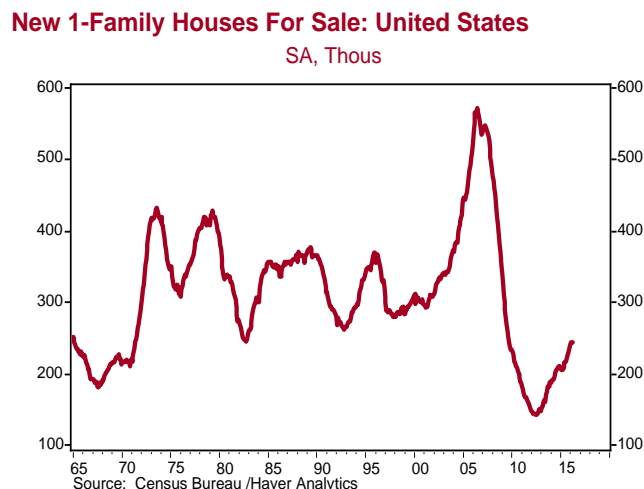
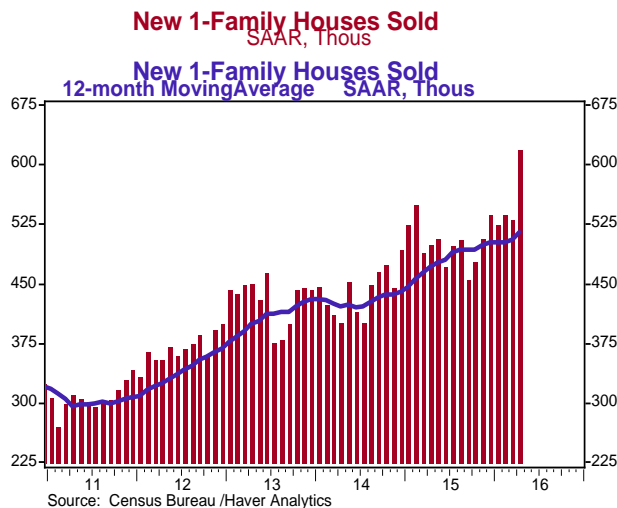


# April New Home Sales

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

- New single-family home sales rose 16.6% in April to a 619,000 annual rate, coming in well above the consensus expected pace of 523,000. Sales are up 23.8% from a year ago.
- Sales rose in the Northeast, West and South, but fell in the Midwest.
- The months' supply of new homes (how long it would take to sell the homes in inventory) fell to 4.7 months in April from 5.5 in March. The decline in the months' supply was nearly all due to a faster sales pace. Inventories declined by 1,000 units.
- The median price of new homes sold was \$321,100 in April, up 9.7% from a year ago. The average price of new homes sold was \$379,800, up 13.5% versus last year.

**Implications:** New home sales soared in April to the fastest pace in eight years, while annual revisions pushed up numbers for the first three months of 2016 as well. To say that the April number came in higher than expected is an understatement; it beat even the most optimistic forecast by more than 80,000. It's important to remember that home sales data are very volatile from month to month, so while April saw a blowout number, it's important not to get too carried away and to keep focusing on the trend, which remains positive. We think there are a couple reasons to expect housing to remain a positive factor for the economy in the months ahead. First, employment gains and the beginning of a thaw in mortgage financing. Second, wage growth seems to be picking up, putting the prospect of buying a home in reach for more people. Third, the homeownership rate remains depressed as a larger share of the population is renting, leaving plenty of potential buyers as conditions continue to improve. And remember that, unlike single-family homes which are counted in the new home sales data, multi-family homes (think condos in cities) are not counted in this report. So a shift back towards single family units will also serve to push reported sales higher. The inventory of new homes fell 1,000 in April and remains very low by historical standards (see chart to right). Moreover, the recent recovery in inventories has been led by homes where construction is still in progress, or has yet to begin. As a result, homebuilders still have plenty of room to increase both construction and inventories. Prices also surged in April, with median sales prices now up 9.7% in the past twelve months, consistent with the gains reflected in other recent home price measures. In other news this morning, the Richmond Fed index, which measures mid-Atlantic factory sentiment, fell to -1 in May from +14 in April, signaling a pullback in activity. Despite the slowdown, survey respondents continued to report a positive outlook on business conditions in the months to come.



New Home Sales	Apr-16		Mar-16	Feb-16	3-mo	6-mo	Yr to Yr
	% Ch	Level			moving avg	moving avg	% Change
<i>All Data Seasonally Adjusted, Levels in Thousands</i>							
<b>New Single Family Homes Sales</b>	16.6%	619	531	538	563	543	23.8
<b>Northeast</b>	52.8%	55	36	32	41	36	323.1
<b>Midwest</b>	-4.8%	60	63	59	61	64	-9.1
<b>South</b>	15.8%	352	304	296	317	301	18.1
<b>West</b>	18.8%	152	128	151	144	142	23.6
<b>Median Sales Price (\$, NSA)</b>	7.8%	321,100	297,900	306,600	308,533	305,450	9.7
		<b>Apr-16</b>	<b>Mar-16</b>	<b>Feb-16</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>		4.7	5.5	5.4	5.2	5.3	5.3

Source: Bureau of the Census

This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.