

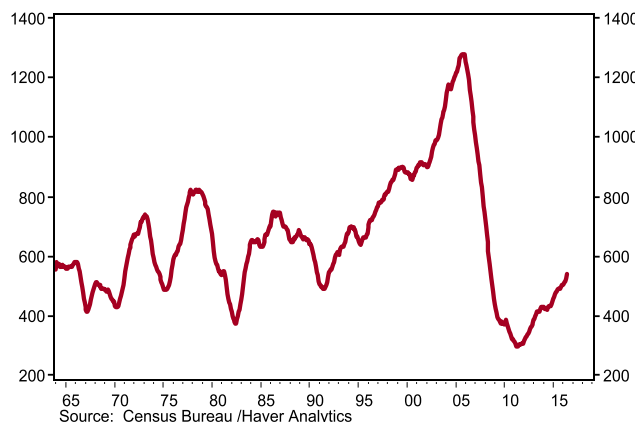
July New Home Sales

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

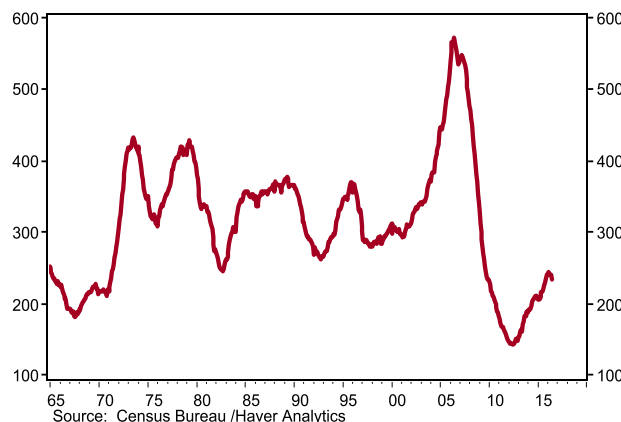
- New single-family home sales increased 12.4% in July to a 654,000 annual rate, easily beating the consensus expected pace of 580,000. Sales are up 31.3% from a year ago.
- Sales rose in the Northeast, South, and Midwest, but remained unchanged in the West.
- The months' supply of new homes (how long it would take to sell the homes in inventory) fell to 4.3 months in July from 4.9 in June. The drop in the months' supply was due to a faster sales pace as well as a decline in inventories of 7,000 units in July.
- The median price of new homes sold was \$294,600 in July, down 0.5% from a year ago. The average price of new homes sold was \$355,800, up 4.1% versus last year.

Implications: Look out above! New home sales boomed in July, easily crushing the most optimistic forecast from any economics group. Sales rose 12.4% for the month to the fastest pace since 2007 and are now up 31.3% versus a year ago. If anything, builders are falling behind the demand for new homes. The inventory of unsold homes fell 7,000 in July and remains very low by historical standards (see chart to right). The months' supply of homes (how long it would take to sell the entire inventory of homes) fell to only 4.3 in July. To put this in perspective, that's lower than the average for any calendar year since 2004. This means homebuilders still have plenty of room to increase both construction and inventories. It's important to remember that home sales data are very volatile from month to month, so let's not get too carried away, but we think there are a few reasons to expect housing to remain a positive factor for the economy. First, employment gains continue and wage growth is accelerating. Second, the mortgage market is starting to thaw. 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. Unlike single-family homes which are counted in the new home sales data, multi-family homes (think condos in cities) are not counted. So a shift back toward single family units will also serve to push reported sales higher. Even though the median sales price of a new home is now down 0.5% from last year, this is likely due to a shift in the "mix" of homes sold, as other measures of home prices show continued gains. On the manufacturing front, the Richmond Fed index, a measure of mid-Atlantic factory sentiment fell to -11 in August from +10 in July, signaling that activity in the factory sector will continue to be volatile. That's what we should expect in a Plow Horse Economy.

New 1-Family Houses Sold: United States
 12-month Moving Average SAAR, Thous



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



New Home Sales	Jul-16		Jun-16	May-16	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	12.4%	654	582	572	603	573	31.3
Northeast	40.0%	35	25	32	31	32	25.0
Midwest	1.2%	84	83	72	80	71	35.5
South	18.1%	398	337	327	354	330	39.6
West	0.0%	137	137	141	138	140	11.4
Median Sales Price (\$, NSA)	-5.1%	294,600	310,500	290,700	298,600	306,633	-0.5
		Jul-16	Jun-16	May-16	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		4.3	4.9	5.0	4.7	5.1	5.3

Source: Bureau of the Census