

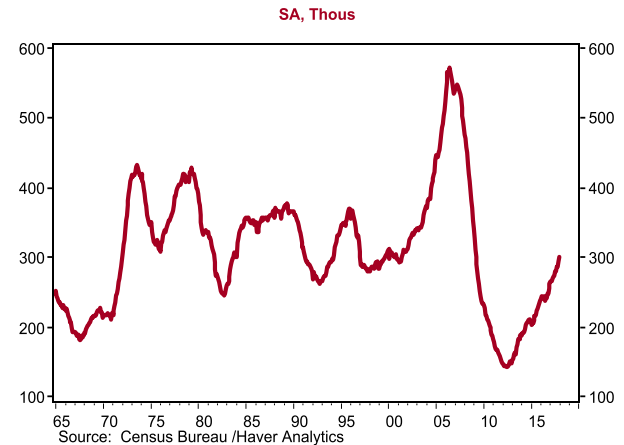
January New Home Sales

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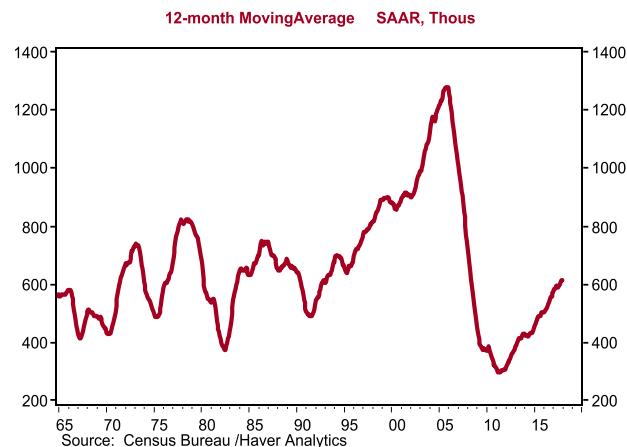
- New single-family home sales declined 7.8% in January to a 593,000 annual rate, well below the consensus expected 647,000. Sales are down 1.0% from a year ago.
- Sales fell in Northeast and South, but rose in the Midwest and West.
- The months' supply of new homes (how long it would take to sell the homes in inventory) rose to 6.1 months in January from 5.5 months in December. The gain was due to both a slower sales pace and an increase in inventories.
- The median price of new homes sold was \$323,000 in January, up 2.5% from a year ago. The average price of new homes sold was \$382,700, up 7.0% versus last year.

Implications: New home sales disappointed in January, coming in below even the most pessimistic forecast by any economics group to start 2018 off on a weak note. Sales of new homes fell 7.8% in January, and are now down 1.0% from a year ago. However, don't read too deeply into January's weak headline number. Last year posted the highest annual sales total in a decade, a trend we expect to continue. The biggest drag on today's number came from the South, as sales continued their return to trend after Hurricanes Harvey and Irma caused many people in that region to buy new homes to replace those destroyed in the aftermath, temporarily driving up activity. Going forward it's important to remember that new home sales are volatile from month to month, but prospects remain good for further growth over the next few years. Sales of new homes were typically about 15% of all home sales prior to the end of the housing bubble in the previous decade. They fell to about 6.5% of sales at the bottom of the housing bust and now have recovered to about 10%. And if there's plenty of room for growth in new home sales, that means plenty of room for home building to grow as well. At first glance, inventories sitting at a post-crisis high and a corresponding rise in the months' supply to its highest level since 2014 would seem to refute this. However, completed units are now at their lowest portion of overall inventories since 2006, which means builders still have plenty of room to expand. With jobs continuing to grow at a healthy pace, wages accelerating, and a tax cut taking effect, we maintain our optimism about home building in the years ahead. Although the new tax law trims back the mortgage interest deduction for some high-end homes, the value of the mortgage interest deduction was affected more broadly by the marginal tax rate reductions in the 1980s, during which housing did well. Yes, the new tax law also trims back state and local tax deductions, including the property tax, but we think that's going to affect where people live, not overall home building nationwide. The US economy is looking up and home sales will rebound in the near future.

New 1-Family Houses For Sale: United States



New 1-Family Houses Sold: United States



New Home Sales	Jan-18		Dec-17	Nov-17	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	-7.8%	593	643	696	644	624	-1.0
Northeast	-33.3%	24	36	41	34	36	-44.2
Midwest	15.4%	75	65	72	71	71	2.7
South	-14.2%	301	351	376	343	344	-10.9
West	1.0%	193	191	207	197	173	33.1
Median Sales Price (\$, NSA)	-4.1%	323,000	336,700	343,000	334,233	327,983	2.5
		Jan-18	Dec-17	Nov-17	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		6.1	5.5	4.9	5.5	5.6	5.5

Source: Bureau of the Census