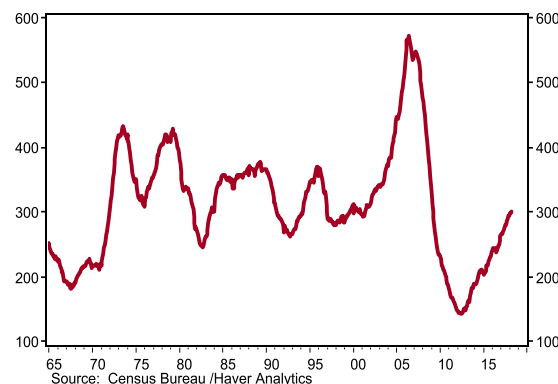


April New Home Sales

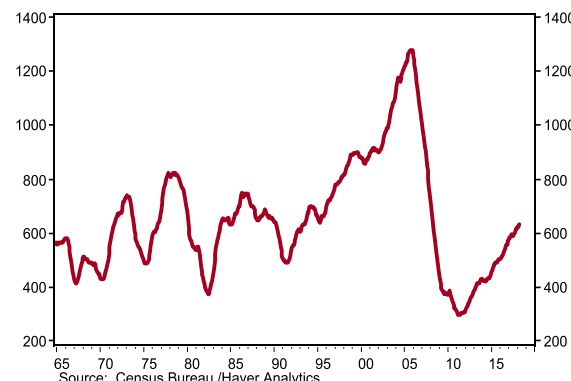
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- New single-family home sales declined 1.5% in April to a 662,000 annual rate, below the consensus expected 680,000. Sales are up 11.6% from a year ago.
- Sales fell in the West, remained unchanged in the Midwest, and rose in the Northeast and South.
- The months' supply of new homes (how long it would take to sell the homes in inventory) rose to 5.4 months in April from 5.3 months in March. The increase was due to both the slower sales pace and a 2,000-unit gain in inventories.
- The median price of new homes sold was \$312,400 in April, up 0.4% from a year ago. The average price of new homes sold was \$407,300, up 11.3% versus last year.

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



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



Implications: Following two consecutive months of gains, new home sales took a breather in April, falling 1.5% to a 662,000-annual rate. The worst news in today's report is that downward revisions to prior months erased all the previously-reported acceleration in the Q1 sales pace, which is now unchanged versus the Q4 2017 average. That said, sales are still up 11.6% in the past year, the eighth month in a row of year-over-year gains. Notably these gains in new home sales have been made despite mortgage rates rising over that same period, which many analysts claimed would derail the housing recovery. Looking forward, prospects remain good for further growth over the next few years, though month-to-month volatility is to be expected. Prior to the end of the housing bubble, sales of new homes were typically about 15% of all home sales. They fell to around 6.5% of sales at the bottom of the housing bust, and now have recovered to 11%. In other words, there's plenty of room for growth in new home sales, which means room for home building to grow as well. At first glance, inventories sitting at a post-crisis high would seem to refute this. However, completed units are now at their lowest portion of inventories since recording began back in 1999. And jobs continuing to grow at a healthy pace, wages continue to rise, and the tax cut taking effect all support 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 continue to trend higher. In other recent news, the Richmond Fed index, a measure of mid-Atlantic factory sentiment, surged to +16 in May from -3 in April, signaling a rebound in optimism from manufacturers.

New Home Sales	Apr-18		Mar-18	Feb-18	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	-1.5%	662	672	659	664	662	11.6
Northeast	11.1%	40	36	43	40	38	5.3
Midwest	0.0%	91	91	85	89	83	26.4
South	0.3%	355	354	364	358	354	6.0
West	-7.9%	176	191	167	178	188	18.9
Median Sales Price (\$, NSA)	-6.9%	312,400	335,400	329,400	325,733	332,250	0.4
		Apr-18	Mar-18	Feb-18	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		5.4	5.3	5.4	5.4	5.4	5.5

Source: Bureau of the Census