

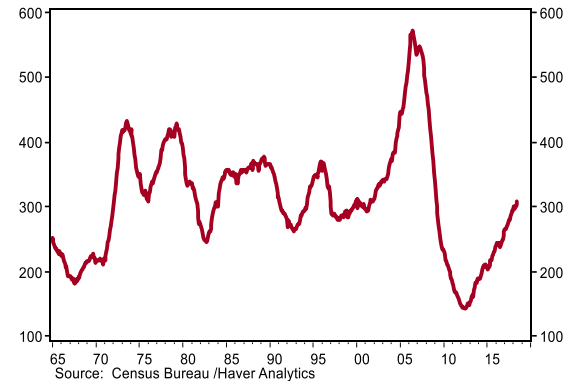
July New Home Sales

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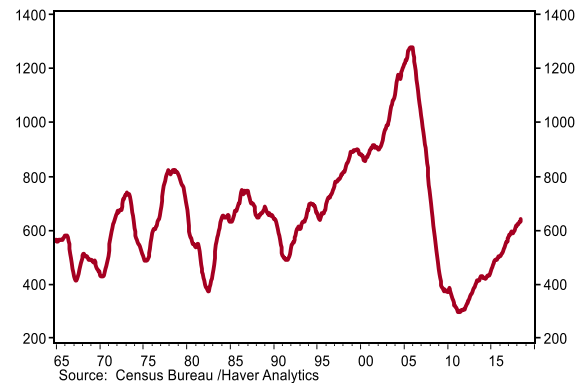
- New single-family home sales declined 1.7% in July to a 627,000 annual rate, below the consensus expected 645,000. Sales are up 12.8% from a year ago.
- Sales fell in the Northeast and South, but rose in the West and Midwest.
- The months' supply of new homes (how long it would take to sell the homes in inventory) rose to 5.9 months in July from 5.7 months in June. The increase was due to both the slower pace of sales and a 6,000 unit increase in inventories.
- The median price of new homes sold was \$328,700 in July, up 1.8% from a year ago. The average price of new homes sold was \$394,300, up 5.9% versus last year.

Implications: New home sales stumbled in July, falling for the second month in a row. That said, this by no means signals the end of the recovery in the housing market. Yes, sales dropped to a 627,000-annualized rate, their slowest pace since October of last year. But a look at the first seven months of 2018 versus the same period in 2017 shows new home sales are still up a healthy 7% from a year ago. This is a much less volatile measure than the 12.8% increase from July of last year, which was the weakest month for sales in 2017, and caused the year-over-year measure to be abnormally high this month. Some analysts may fret about the months' supply of new homes hitting its highest level in nearly a year at 5.9 months as a sign weakening buyer demand. They will point to the fact that, unlike with existing homes, the inventory of new homes has been expanding and is up 12% from a year ago. However, the inventory of completed new homes (a better gauge of buyer demand) is still very low by historical standards, with almost all the gain in inventory over the past two years coming from homes still under construction or yet to be started. So what the data really show, is that the months' supply of completed homes stands at a paltry 1.2 months, demonstrating a continued lack of physical options for potential buyers. Prior to the end of the housing bubble, sales of new homes accounted for roughly 15% of all home sales. They fell to around 6.5% of sales at the bottom of the housing bust, and now stand at 11%. In other words, there's still plenty of room for growth in new home sales, and, as they move higher, it will help alleviate the supply problems that have pushed up the median age of homes in the U.S. from 31 years in 2005 to 37 years in 2016, according to the most recent data available from the 2016 American Community Survey. This means room for home building to grow as well. Looking forward, we expect further growth over the next few years, though month-to-month volatility, as always, should be expected. Our advice? Focus on the trend, not short-term swings. In other housing news this morning, the FHFA Index, which measures prices for homes financed by conforming mortgages, increased 0.2% in June and is up 6.5% versus a year ago, just below the 6.6% gain in the twelve months ending June 2017. On the employment front, initial jobless claims fell 2,000 last week to 210,000, just 2,000 above the lowest reading since December 1969. Meanwhile, continuing claims fell 2,000 to 1.73 million.

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



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



New Home Sales	Jul-18		Jun-18	May-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	-1.7%	627	638	654	640	648	12.8
Northeast	-52.3%	21	44	33	33	35	-48.8
Midwest	9.9%	78	71	84	78	81	18.2
South	-3.3%	355	367	386	369	365	17.2
West	10.9%	173	156	151	160	166	18.5
Median Sales Price (\$, NSA)	6.0%	328,700	310,000	313,600	317,433	321,550	1.8
		Jul-18	Jun-18	May-18	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		5.9	5.7	5.5	5.7	5.6	5.5

Source: Bureau of the Census