

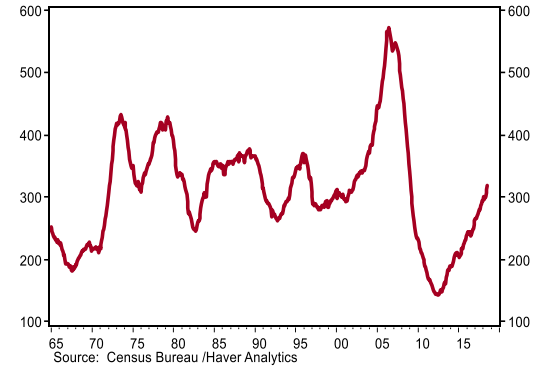
August New Home Sales

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

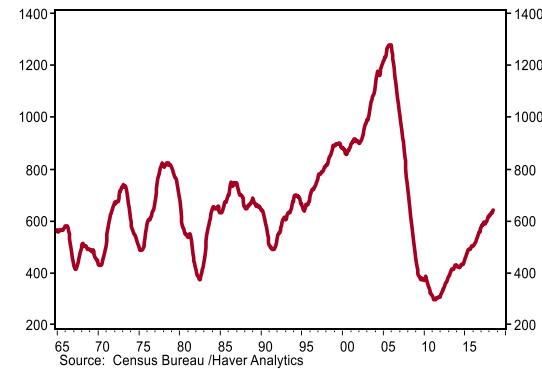
- New single-family home sales increased 3.5% in August to a 629,000 annual rate, just below the consensus expected 630,000. Sales are up 12.7% from a year ago.
- Sales rose in the Northeast, West and Midwest, but fell in the South.
- The months' supply of new homes (how long it would take to sell the homes in inventory) fell to 6.1 months in August from 6.2 months in July. The decline was due entirely to the faster pace of sales. Inventories rose by 5,000 units in August.
- The median price of new homes sold was \$320,200 in August, up 1.9% from a year ago. The average price of new homes sold was \$388,400, up 5.2% versus last year.

Implications: New home sales should continue their rising trend in the coming years, but short-term data – including the rebound in August – leave something to be desired. Most of August's 3.5% gain was the result of a downward revision to July's sales pace. Excluding that revision, overall sales would've been essentially flat for the month. Typically, we would look at the year-ago comparison to shed light on the more important trend in sales growth. However, the 12.7% year-over-year increase for August is artificially inflated due to the effects of Hurricane Harvey, which battered the South in August of last year. At the moment, the best way to gauge sales growth is to look at the first eight months of 2018 versus the same period in 2017. This less volatile measure shows that year-to-date new home sales are up a healthy 6.8% from a year ago, consistent with our view that the trend higher remains intact. Some analysts may point to the increases in new home inventories as a sign of waning demand, but we don't buy it. Although the inventory of new homes is up 13.2% from a year ago, almost all of the gain is in homes that have yet to be started or are still under construction. The inventory of completed new homes (a better gauge of buyer demand) is still very low by historical standards. In fact, the months' supply of completed homes is a paltry 1.3 months, demonstrating a continued lack of physical options for potential buyers. In other words, there's still plenty of room for growth in both home building and new home sales. And as both measures 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. Looking forward to September, expect a dip in sales as Hurricane Florence holds back activity, followed by a rebound in sales in the fourth quarter. In other recent housing news, the national Case-Shiller home price index increased 0.2% in July and is up 6.0% from a year ago. That's slightly faster than the 5.8% gain in the year ending in July 2017. In the past twelve months, home price gains have been led by Las Vegas, Seattle, and San Francisco. The FHFA index, which measures prices for homes financed by conforming mortgages, also increased 0.2% in July. The FHFA index is up 6.4% from a year ago, slightly slower than the 6.6% gain in the year ending in July 2017. On the manufacturing front, the Richmond Fed index, which measures mid-Atlantic factory sentiment, hit its highest level on record in September (dating back to 1993). This demonstrates that, despite the "trade-war" rhetoric dominating the airwaves, manufacturers remain optimistic.

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	Aug-18		Jul-18	Jun-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	3.5%	629	608	618	618	636	12.7
Northeast	47.8%	34	23	43	33	33	-2.9
Midwest	2.7%	77	75	71	74	80	13.2
South	-1.7%	350	356	350	352	360	11.5
West	9.1%	168	154	154	159	162	19.1
Median Sales Price (\$, NSA)	-2.4%	320,200	328,100	309,500	319,267	320,717	1.9
		Aug-18	Jul-18	Jun-18	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		6.1	6.2	6.0	6.1	5.8	5.6

Source: Bureau of the Census

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