

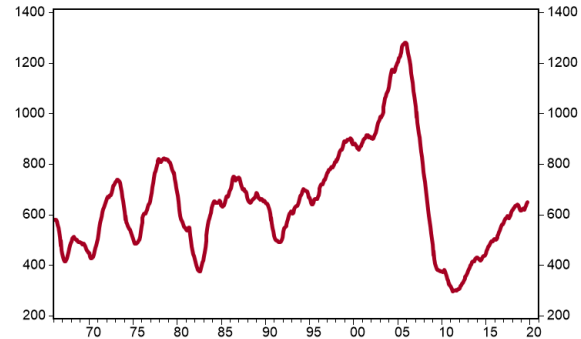
September New Home Sales

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

- New single-family home sales declined 0.7% in September to a 701,000 annual rate, narrowly lagging the consensus expected 702,000. Sales are up 15.5% from a year ago.
- Sales fell in the West, Northeast, and South, but rose in the Midwest.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) remained unchanged at 5.5 months in September. The slower pace of sales was offset by a decline in inventories of 2,000 units.
- The median price of new homes sold was \$299,400 in September, down 8.8% from a year ago. The average price of new homes sold was \$362,700, down 6.1% versus last year.

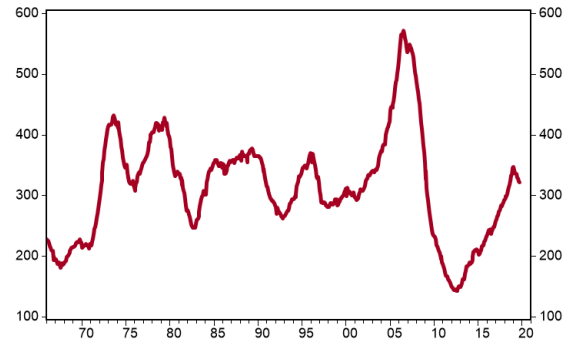
Implications: Following a strong gain in August, new home sales took a breather in September, falling 0.7%. However, at a 701,000 annual pace, sales are now up a healthy 15.5% in the past year. And, more importantly, despite the small decline in September, new home sales have now fully reversed the decline in the 12-month sales average, which once again sits at a post-recession high. One of the key signals the US is not headed for recession is coming from the housing market. New home sales normally run around 70% of single-family housing starts, but have now exceeded that threshold for each of the past eight months, hitting 76.3% in September, and signaling plenty of appetite for new homes. In other words, home construction needs to pick up to keep pace with consumers' appetites for new homes. In fact, home building should be a tailwind for GDP growth in the year ahead, as opposed to the drag on growth that residential construction has been for the past six quarters (through the second quarter of 2019). The good news is that builders are beginning to respond, with the number of new single-family housing starts sitting at a post-recession high in Q3. As those new properties are finished the sustained decline in inventories we have seen since January should begin to reverse. Affordability has been playing a big role in the recent rebound in sales, with mortgage rates having fallen roughly 100 basis points since peaking in November. Meanwhile, new home prices have moderated, with six of the nine months in 2019 posting declines on a year-over-year basis. Overall, the fundamentals signal growth in home sales over the medium to long term. Relative to population, the number of new home sales remains well below where it should be. Bottom line, we expect sales in 2019 to outpace 2018, continuing the upward trend. In other recent news on the housing sector, the FHFA index, which measures prices for homes financed with conforming mortgages, increased 0.2% in August, and is up 4.6% from a year ago, a deceleration from the 6.4% gain in the year ending in August 2018. Expect more of the same in the year ahead, continued home price gains but at a slower pace and with the gains tilted toward lower tax states.

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



Source: Census Bureau/Haver Analytics

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



Source: Census Bureau/Haver Analytics

New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Sep-19		Aug-19	Jul-19	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
New Single Family Homes Sales	-0.7%	701	706	665	691	676	15.5
Northeast	-2.8%	35	36	34	35	31	29.6
Midwest	6.3%	67	63	70	67	67	-17.3
South	-0.2%	424	425	402	417	405	24.0
West	-3.8%	175	182	159	172	173	11.5
Median Sales Price (\$, NSA)	-7.9%	299,400	325,200	307,600	310,733	315,950	-8.8
		Sep-19	Aug-19	Jul-19	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		5.5	5.5	5.9	5.6	5.9	6.2

Source: Bureau of the Census