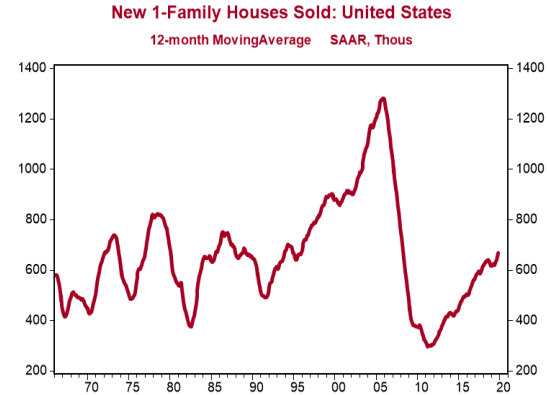


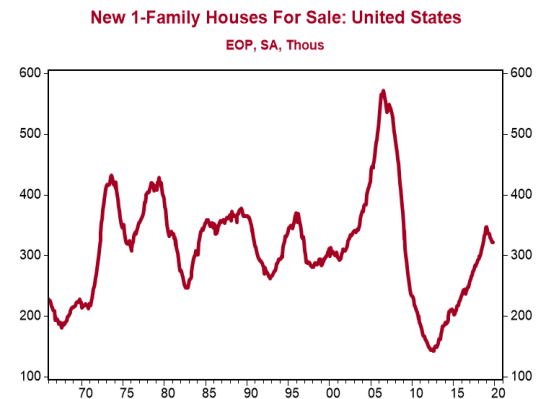
October New Home Sales

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

- New single-family home sales declined 0.7% in October to a 733,000 annual rate, easily beating the consensus expected 705,000. Sales are up 31.6% 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 all the homes in inventory) rose to 5.3 months in October from 5.2 months in September. The gain was due to both a slower pace of sales and an increase in inventories of 1,000 units.
- The median price of new homes sold was \$316,700 in October, down 3.5% from a year ago. The average price of new homes sold was \$383,300, down 2.9% versus last year.



Source: Census Bureau/Haver Analytics



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Implications: New home sales surprised to the upside in October, beating even the most optimistic forecast of any economics group. Yes, the headline number did show a decline in sales of 0.7%, but that was entirely due to a large 32,000 unit upward revision to September’s sales pace, which now sits at a post-recession high. Without that upward revision October would’ve posted a gain of 4.6%. Moreover, even with the slight decline in October the average sales pace over the past two months is the fastest since 2007. 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 nine months, hitting 78.3% in October, 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. The good news is that builders are beginning to respond, with the number of new single-family housing starts surging over the past several months to within spitting distance of new highs for this business cycle. Affordability has been playing a big role in the recent rebound in sales, with mortgage rates having fallen roughly 110 basis points since peaking in November. Meanwhile, new home prices have moderated, with seven of the ten months in 2019 posting declines on a year-over-year basis. Bottom line, we expect sales in 2019 to outpace 2018, continuing the upward trend. In turn, 2020 should outpace 2019. In other housing news this morning, home price growth accelerated in September itself, but is still slower over the past year than in the year ending in September 2018. The Case-Shiller national home price index rose 0.4% in September and is up 3.2% from a year ago versus a 4.5% gain in the year ending September 2018. The three metro areas with the fastest home price growth in the past twelve months are Phoenix, Charlotte, and Tampa, all in relatively low-tax states; the three areas with the slowest price growth are San Francisco (the only city with an outright price decline), Chicago, and New York, all in high-tax states. The FHFA index, which measures prices for homes financed with conforming mortgages, increased 0.6% in September. FHFA prices are up 5.1% from a year ago versus a 6.3% gain in the year ending in September 2018. Finally, on the manufacturing front this morning, the Richmond Fed index, a measure of mid-Atlantic manufacturing sentiment, fell to -1 in November from +8 in September. This is consistent with our view that the national ISM Manufacturing index will rise in November but remain slightly below 50.

| New Home Sales | Oct-19 | | Sep-19 | Aug-19 | 3-mo | 6-mo | Yr to Yr |
|--|---------------|----------------|---------------|---------------|-----------------|-----------------|------------------|
| | % Ch | Level | | | moving avg | moving avg | % Change |
| <i>All Data Seasonally Adjusted, Levels in Thousands</i> | | | | | | | |
| New Single Family Homes Sales | -0.7% | 733 | 738 | 706 | 726 | 694 | 31.6 |
| Northeast | -18.2% | 27 | 33 | 32 | 31 | 29 | 17.4 |
| Midwest | 4.2% | 75 | 72 | 63 | 70 | 69 | 17.2 |
| South | -3.3% | 436 | 451 | 424 | 437 | 422 | 40.6 |
| West | 7.1% | 195 | 182 | 187 | 188 | 174 | 21.9 |
| Median Sales Price (\$, NSA) | 2.1% | 316,700 | 310,200 | 326,700 | 317,867 | 314,400 | -3.5 |
| | | Oct-19 | Sep-19 | Aug-19 | 3-mo Avg | 6-mo Avg | 12-mo Avg |
| Months' Supply at Current Sales Rate (Levels) | | 5.3 | 5.2 | 5.5 | 5.3 | 5.7 | 6.0 |

Source: Bureau of the Census