

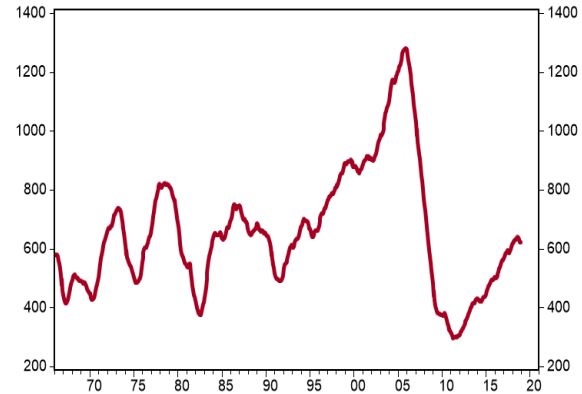
December New Home Sales

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- New single-family home sales increased 3.7% in December to a 621,000 annual rate, beating the consensus expected 600,000. Sales are down 2.4% from a year ago.
- Sales rose in the Northeast, South and West, but fell in the Midwest.
- The months' supply of new homes (how long it would take to sell the homes in inventory) fell to 6.6 months in December from 6.7 months in November. The decline was due entirely to the faster pace of sales. Inventories rose 10,000 units in December.
- The median price of new homes sold was \$318,600 in December, down 7.2% from a year ago. The average price of new homes sold was \$377,000, down 6.4% versus last year.

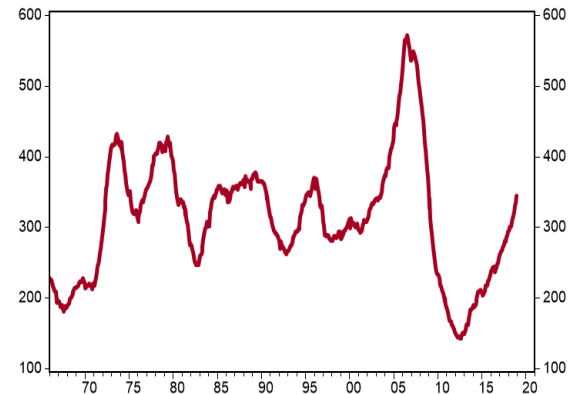
Implications: New home sales finished 2018 on a healthy note, signaling optimism after what was a rocky year. After a steady downward trend since March and an all-around disappointing report in October, new home sales have since rebounded moderately, posting gains in both November and December. This burst of life at the end of the year dragged up the annual average pace of sales, with 2018 as a whole posting the best sales since 2007 and keeping the upward trend in housing activity intact. It is important to note that November's reading was significantly revised down in today's report, from a 657,000 annual rate to a more modest 599,000. The initial report on November arrived in late January after the partial shutdown ended, and provides further proof that data from the Census Bureau since the shutdown have suffered from measurement issues, as we've pointed out for recent releases on retail sales, durable goods, and housing starts. That said, the increase in sales in November/December has helped reverse the recent upward trend in the months' supply of homes, which fell to 6.6 months in December after peaking at 7.2 in October (the highest reading since the housing sector hit rock bottom in 2011). Remember, new home sales are volatile, and it's too early to tell if this truly marks a reversal in the direction of sales. However, we continue to think that the fundamentals for the housing market remain solid. First, relative to population, the number of new home sales remains well below where it should be according to history. Using the ratio of sales to the US population from 1995 for example - well before the beginning of the housing bubble - shows new home sales should be at a pace of around 820,000 units annualized. So even a partial climb back to demographic averages bodes well for sales over the coming years. Second, the labor market continues to strengthen, and rising wages should underpin demand. This is especially true now that both median and average sales prices for new homes are falling on a year-over-year basis. Finally, mortgage rates peaked in November and have since retreated, boosting affordability. Bottom line, we expect sales in 2019 to outpace 2018 and continue the upward trend.

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	Dec-18		Nov-18	Oct-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	3.7%	621	599	549	590	598	-2.4
Northeast	44.8%	42	29	23	31	30	16.7
Midwest	-15.3%	61	72	63	65	69	-3.2
South	5.0%	375	357	300	344	343	7.4
West	1.4%	143	141	163	149	156	-23.9
Median Sales Price (\$, NSA)	5.0%	318,600	303,500	324,700	315,600	320,667	-7.2
		Dec-18	Nov-18	Oct-18	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		6.6	6.7	7.2	6.8	6.6	5.2

Source: Bureau of the Census