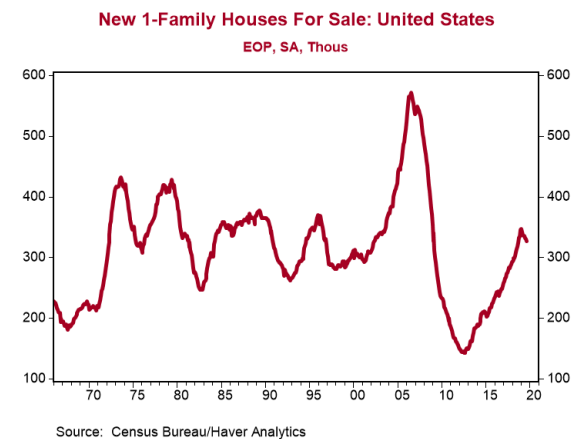
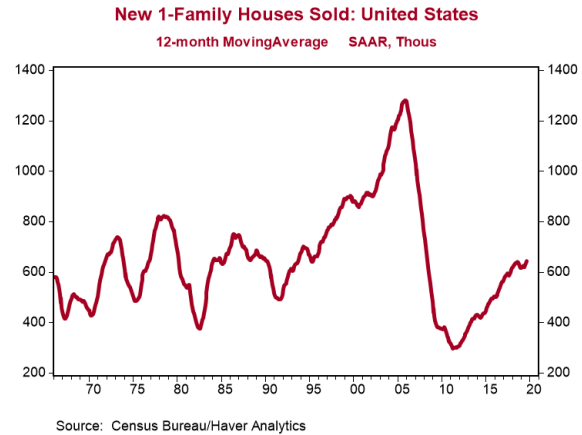


August New Home Sales

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- New single-family home sales increased 7.1% in August to a 713,000 annual rate, easily beating the consensus expected 659,000. Sales are up 18.0% from a year ago.
- Sales rose in the West and South, but fell in the Northeast and Midwest.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) fell to 5.5 months in August from 5.9 months in July. The decline was due to both the faster pace of sales and a decrease in inventories of 4,000 units.
- The median price of new homes sold was \$328,400 in August, up 2.2% from a year ago. The average price of new homes sold was \$404,200, up 6.1% versus last year.

Implications: New home sales surprised to the upside in August, beating even the most optimistic forecast by any economics group surveyed. Sales rose 7.1% in August to a 713,000 annual pace, and are now up 18.0% in the past year. And August's strong gain happened even with a 31,000 unit upward revision to July's sales pace. This, along with the healthy gains in June and August, have now fully reversed the decline in the 12-month sales average, which once again sits at a post-recession high. That said, more construction is going to be needed to sustain this pace of sales. New home sales normally run around 70% of single-family housing starts, but have now exceeded that threshold for each of the past seven months, hitting 77.5% in August, and signaling plenty of appetite for new homes. This is just one of many reasons we think the US is nowhere close to recession. 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). 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 eight months in 2019 posting declines on a year-over-year basis. That said, one potential headwind on the horizon is that the inventory of new homes available for sale has been falling since January, reducing options for buyers, and further reinforcing the need for more construction. 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, national average home prices continue to rise, but at a slower rate. The national Case-Shiller index rose 0.1% in July, and shows prices up 3.2% from a year ago, a deceleration from the 6.0% gain in the year ending in July 2018. In the past twelve months, prices have risen fastest in Phoenix, Las Vegas, Charlotte, and Tampa; price gains have been the softest in Seattle (the only major metro area where prices are down from a year ago), San Francisco, New York, and Los Angeles. Meanwhile, the FHFA index, which measures prices for homes financed with conforming mortgages, increased 0.4% in July, and is up 5.0% from a year ago, a deceleration from the 6.6% gain in the year ending in July 2018. Finally, on the manufacturing front, the Richmond Fed index, a measure of mid-Atlantic manufacturing sentiment, dropped to -9 in September from +1 in July. However, plugging this and other manufacturing reports into our models still suggests a rebound in the national ISM index from 49.1 in August to a level above 50 (signaling growth) for September.



New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Aug-19		Jul-19	Jun-19	3-mo	6-mo	Yr to Yr
	% Ch	Level			moving avg	moving avg	% Change
New Single Family Homes Sales	7.1%	713	666	729	703	676	18.0
Northeast	-5.9%	32	34	24	30	28	0.0
Midwest	-3.0%	64	66	62	64	70	-7.2
South	6.0%	426	402	448	425	398	24.9
West	16.5%	191	164	195	183	180	17.9
Median Sales Price (\$, NSA)	7.5%	328,400	305,400	306,300	313,367	317,067	2.2
		Aug-19	Jul-19	Jun-19	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		5.5	5.9	5.4	5.6	5.9	6.3

Source: Bureau of the Census