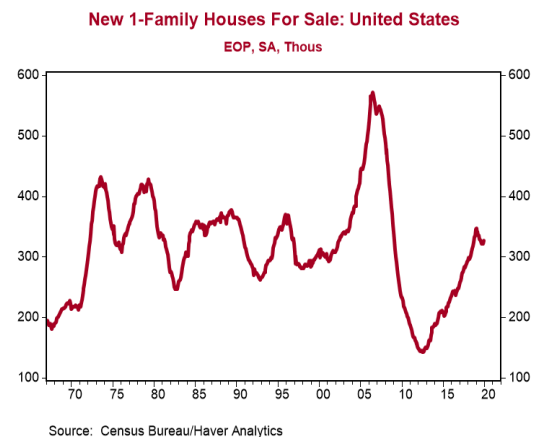
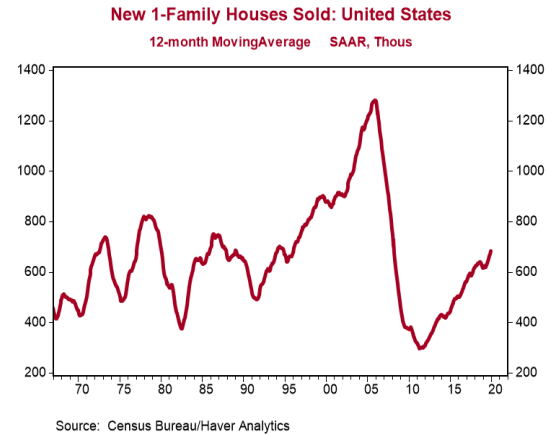


December New Home Sales

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

- New single-family home sales declined 0.4% in December to a 694,000 annual rate, below the consensus expected 730,000. Sales are up 23.0% from a year ago.
- Sales fell in the South and Northeast, 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 5.7 months in December from 5.5 months in November. The increase was due to both the slower pace of sales and a 5,000 unit increase in inventories.
- The median price of new homes sold was \$331,400 in December, up 0.5% from a year ago. The average price of new homes sold was \$384,500, up 0.7% versus last year.

Implications: Don't get too bent out of shape about the weak headline number for new home sales in December, housing continues to be a bright spot for the US economy. Yes, the 0.4% decline in sales in today's report was disappointing. But December sales were also up 23% versus a year ago, demonstrating the strong recovery we saw in 2019 following all-around weakness in 2018. Looking at both years as a whole shows sales in 2019 hit an annualized pace of 682,000 units, a post-recession high, and an increase of 10.8% versus the 2018 pace. Chalk that up as another key sign the US is not headed for recession. It also looks like builders have begun to respond to the stronger sales pace we have seen over the past year. New home sales normally run around 70% of single-family housing starts but had exceeded that threshold for each of the past ten months. However, with housing starts surging over the past several months, that number fell to 65.7% in December. All this new construction is also beginning to show up in the inventory of new homes available for sale, which had been on a sustained downward trend since January but has begun to rebound. Affordability played a big role in the 2019 rebound in sales, with mortgage rates having fallen roughly 100 basis points since peaking in November 2018. With any potential rate hikes from the Fed on hold for the foreseeable future, and the tight labor market boosting incomes, the outlook for future sales remains positive. Look for a continuing upward trend in both sales and new construction in the year ahead.



New Home Sales	Dec-19		Nov-19	Oct-19	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	-0.4%	694	697	705	699	698	23.0
Northeast	-11.8%	30	34	21	28	31	11.1
Midwest	10.1%	76	69	69	71	69	16.9
South	-15.4%	347	410	416	391	407	-1.1
West	31.0%	241	184	199	208	192	99.2
Median Sales Price (\$, NSA)	3.3%	331,400	320,900	323,400	325,233	321,117	0.5
		Dec-19	Nov-19	Oct-19	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		5.7	5.5	5.5	5.6	5.6	5.8

Source: Bureau of the Census