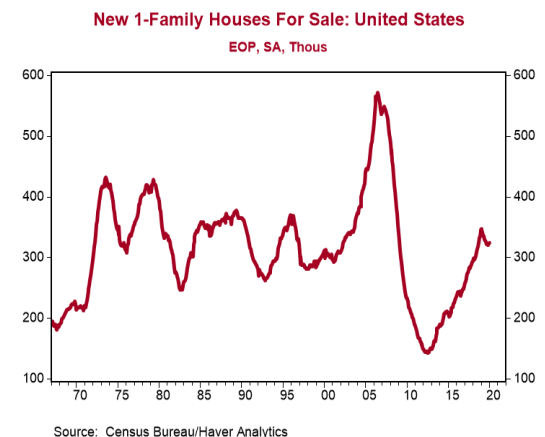
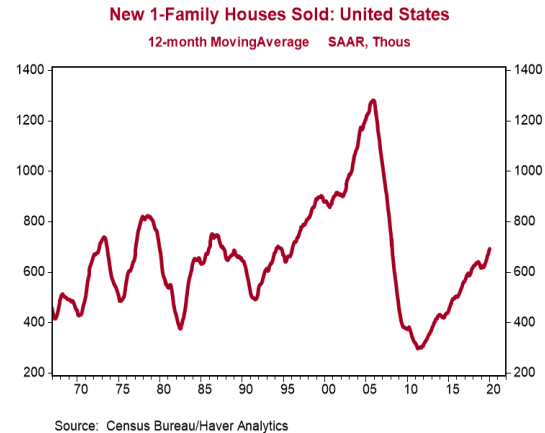


January New Home Sales

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- New single-family home sales increased 7.9% in January to a 764,000 annual rate, easily beating the consensus expected 718,000. Sales are up 18.6% from a year ago.
- Sales rose in the Midwest, West, and Northeast, but fell in the South.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) fell to 5.1 months in January from 5.5 months in December. The decline was entirely due to the faster pace of sales. Inventories increased by 1,000 units in January.
- The median price of new homes sold was \$348,200 in January, up 14.0% from a year ago. The average price of new homes sold was \$402,300, up 11.4% versus last year.

Implications: While fears about Coronavirus dominate headlines, the US housing sector continues to signal that a recession remains nowhere in sight. New home sales spiked up 7.9% in January, easily beating consensus expectations, and marking the fastest sales pace since 2007. And it's not just buyers who are out in force. Builders have recently increased the pace of construction, and those new units are beginning to show up in the inventory of new homes available for sale, which trended lower in 2019 but has now begun to rebound. This, in turn, has also been a tailwind for GDP, with residential construction making a positive contribution to growth over the past two quarters, and looking likely to do so again to start 2020. Affordability has been playing an ongoing role in the rebound in sales, with mortgage rates having fallen roughly 110 basis points since peaking in November 2018. With 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. In other recent news on the housing market, the national Case-Shiller index rose 0.5% in December, but prices were up only 3.8% from a year ago. That's the slowest gain for any calendar year since the outright drop in home prices in 2011. In the past year, prices are up the fastest in Phoenix, Charlotte, and Tampa, while up the slowest in New York, Chicago, and San Francisco. Low-tax states beating high tax states, a theme that's likely to persist. The FHFA index, which measures prices for homes financed by conforming mortgages, increased 0.6% in December and are up 5.2% from a year ago. That's a deceleration from the 6.0% gain in the year ending December 2018. On the manufacturing front, the Richmond Fed index, a measure of mid-Atlantic manufacturing sentiment, fell unexpectedly to -2 in February from +20 in January. However, this is in sharp contrast to recent manufacturing reports from New York and Philadelphia, which showed a rebound in activity. We still expect the national ISM manufacturing index, reported next Monday, to show an increase in activity for February.



New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Jan-20		Dec-19	Nov-19	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
New Single Family Homes Sales	7.9%	764	708	692	721	717	18.6
Northeast	4.8%	44	42	34	40	35	46.7
Midwest	30.3%	99	76	70	82	75	47.8
South	-4.4%	369	386	403	386	406	-2.4
West	23.5%	252	204	185	214	202	49.1
Median Sales Price (\$, NSA)	7.4%	348,200	324,100	328,000	333,433	327,567	14.0
		Jan-20	Dec-19	Nov-19	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		5.1	5.5	5.5	5.4	5.4	5.7

Source: Bureau of the Census