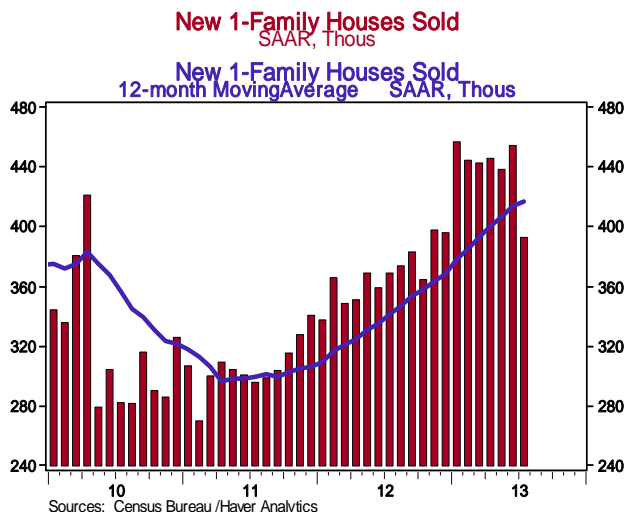


July New Home Sales

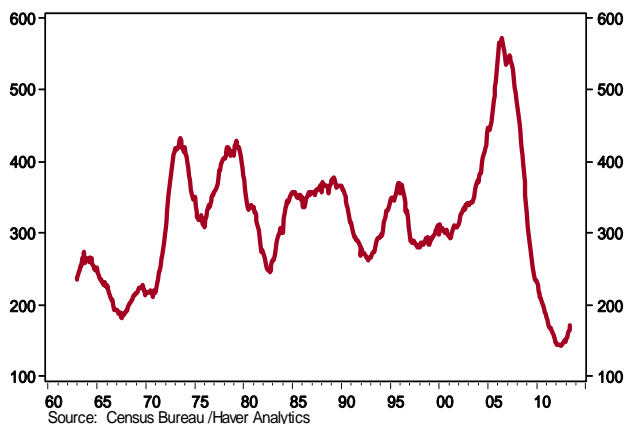
Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elss – Economist

- New single-family home sales declined 13.4% in July to a 394,000 annual rate, coming in way below the consensus expected pace of 487,000. Sales are still up 6.8% from a year ago.
- Sales were down in all major regions of the country.
- The months' supply of new homes (how long it would take to sell the homes in inventory) rose to 5.2 in July from 4.3 in June. The rise in the months' supply was mainly due to the slower selling pace of homes. Inventories also rose by 7,000 units.
- The median price of new homes sold was \$257,200 in July, up 8.3% from a year ago. The average price of new homes sold was \$322,700, up 14.3% versus last year.

Implications: A very ugly report on new home sales today. New home sales fell sharply, coming in well below the consensus estimate. Does this mean the housing recovery is already over? We don't think so. Despite this bad month, new home sales are still up 6.8% from a year ago, still respectable. Existing home sales are up 17.2%. It appears that the recent growth of inventories in the existing home market is facilitating sales in that market, drawing some buyers away from new homes. The months' supply of new homes – how long it would take to sell the new homes in inventory – rose to 5.2 but is still below the average of 5.7 over the past 20 years. As a result, as the pace of sales rises over the next few years (and we believe they will), home builders will have room to increase inventories. After a large reduction in inventories over the past several years, builders are getting ready for that transition. Inventories have increased in 11 of the last 12 months. However, higher inventories aren't something to worry about and are not leading to more vacant homes. The slight rise in new home inventories so far has all been for homes where building has yet to begin. The number of completed new homes still sitting in inventory remains near record lows, as buyers swoop in quickly. In other recent housing news, the FHFA index, which measures prices for homes financed by conforming mortgages, increased 0.6% in June and is up 7.8% in the past year. More broadly, new claims for unemployment insurance increased 13,000 last week to 336,000. Continuing claims for regular state benefits increased 29,000 to 3.00 million. Plugging these figures into our payroll models generates an early forecast for August of gains of 161,000 nonfarm, 164,000 private. The unemployment rate looks steady at 7.4%.



New 1-Family Houses For Sale: United States
 SA, Thous



New Home Sales	Jul-13		Jun-13	May-13	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	-13.4%	394	455	439	429	437	6.8
Northeast	-5.7%	33	35	29	32	33	10.0
Midwest	-12.9%	54	62	75	64	64	0.0
South	-13.4%	213	246	233	231	232	16.4
West	-16.1%	94	112	102	103	108	-7.8
Median Sales Price (\$, NSA)	-0.5%	257,200	258,500	262,600	259,433	263,367	8.3
		Jul-13	Jun-13	May-13	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		5.2	4.3	4.5	4.7	4.4	4.5

Source: Bureau of the Census