

August New Home Sales

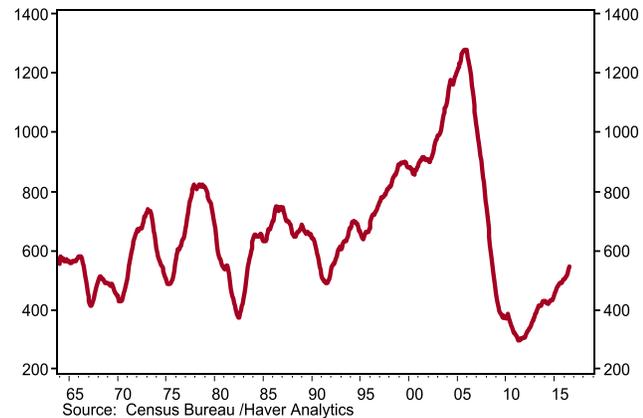
Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Economist

- New single-family home sales declined 7.6% in August to a 609,000 annual rate, beating the consensus expected pace of 600,000. Sales are up 20.6% from a year ago.
- Sales fell in the Northeast, South, and Midwest, but rose in the West.
- The months' supply of new homes (how long it would take to sell the homes in inventory) rose to 4.6 months in August from 4.2 in June. The growth in the months' supply was due to a slower sales pace as well as an increase in inventories of 4,000 units in August.
- The median price of new homes sold was \$284,000 in August, down 5.4% from a year ago. The average price of new homes sold was \$353,600, up 1.4% versus last year.

Implications: After soaring in July to the fastest pace since 2007, new home sales slipped back in August. However, the pace of sales in August was still relatively strong. Excluding July, it was the fastest sales pace since 2008 and sales were up 20.6% versus a year ago. Look for even faster sales in the year ahead. Although the inventory of unsold homes rose 4,000 in August, it remains very low by historical standards (see chart to right). Moreover, the gain in inventories in August was due to homes where construction has yet to start. In fact, the majority of sales in August came from these same properties that have yet to break ground, marking a shift from a year ago when completed homes represented the majority. This illustrates how builders are falling behind the demand for new homes and signals there is plenty of room to increase both construction and inventories. Despite today's drop it's important to remember that home sales data are very volatile from month to month. In fact, we think there are a few reasons to expect housing to remain a positive factor for the economy. First, employment gains continue and wage growth is accelerating. Second, the mortgage market is starting to thaw. Third, the homeownership rate remains depressed as a larger share of the population is renting, leaving plenty of potential buyers as conditions continue to improve. Unlike single-family homes which are counted in the new home sales data, multi-family homes (think condos in cities) are not counted. So a shift back toward single family units will also serve to push reported sales higher. Even though the median sales price of a new home is now down 5.4% from last year, this is likely due to a shift in the "mix" of homes sold, as other measures of home prices show continued gains.

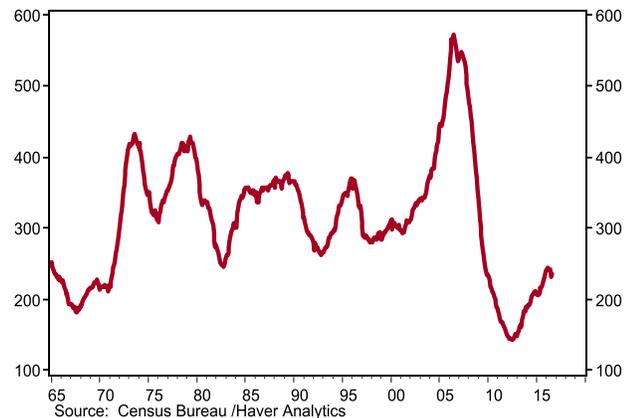
New 1-Family Houses Sold: United States

12-month Moving Average SAAR, Thous



New 1-Family Houses For Sale: United States

SA, Thous



New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Aug-16		Jul-16	Jun-16	3-mo	6-mo	Yr to Yr
	% Ch	Level			moving avg	moving avg	% Change
New Single Family Homes Sales	-7.6%	609	659	579	616	587	20.6
Northeast	-34.3%	23	35	26	28	31	-25.8
Midwest	-2.4%	81	83	79	81	74	39.7
South	-12.3%	343	391	333	356	336	15.9
West	8.0%	162	150	141	151	145	35.0
Median Sales Price (\$, NSA)	-3.1%	284,000	293,100	320,700	299,267	304,417	-5.4
		Aug-16	Jul-16	Jun-16	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		4.6	4.2	5.0	4.6	4.9	5.2

Source: Bureau of the Census