

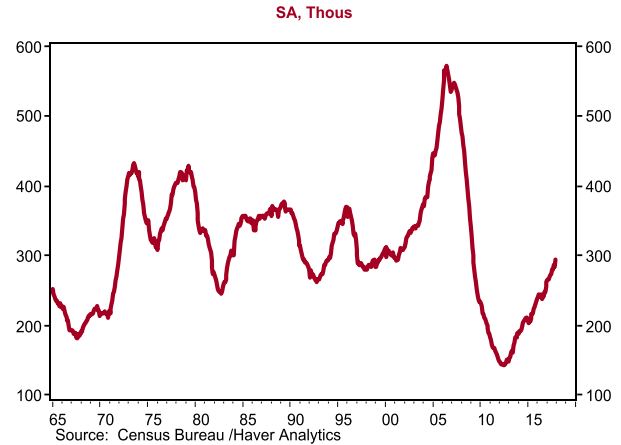
December New Home Sales

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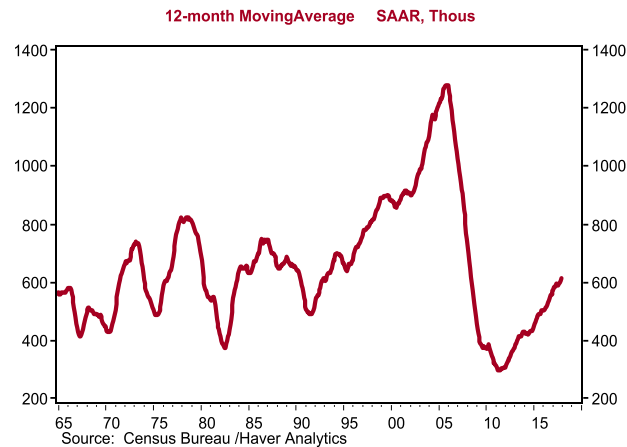
- New single-family home sales declined 9.3% in December to a 625,000 annual rate, below the consensus expected 675,000. Sales are up 14.1% from a year ago.
- Sales fell in all major regions in December.
- The months' supply of new homes (how long it would take to sell the homes in inventory) rose to 5.7 months in December from 4.9 months in November. The gain was due to both a slower sales pace and an increase in inventories.
- The median price of new homes sold was \$335,400 in December, up 2.6% from a year ago. The average price of new homes sold was \$398,900, up 4.3% versus last year.

Implications: New home sales came in weaker than expected in December, posting their biggest monthly decline of the year, as the boost in sales following the hurricanes finally ran its course. Sales of new homes fell 9.3% in December, but are still up 14.1% from a year ago. Despite the disappointing headline number, the details of the report show the upward trend in sales remains, with 2017 posting the highest annual total in a decade. The biggest drag on today's number came from the South, which alone represented 56% of the decline in the pace of sales. This represents a return to trend after Hurricanes Harvey and Irma caused many people in that region to buy new homes to replace those destroyed in the aftermath, temporarily driving up activity. Going forward it's important to remember that new home sales are volatile from month to month, but prospects remain good for further growth over the next few years. Sales of new homes were typically about 15% of all home sales prior to the end of the housing bubble in the previous decade. They fell to about 6.5% of sales at the bottom of the housing bust and now have recovered to about 10%. And if there's plenty of room for growth in new home sales, that means plenty of room for home building to grow as well. Yes, inventories posted their largest monthly gain since 2006 in December and now sit at a post-crisis high. But this monthly gain was almost entirely due to homes where construction has yet to even start, and completed units make up only 22% of overall inventories, which means builders still have plenty of room to expand. With jobs continuing to grow at a healthy pace, wages accelerating, and a tax cut taking effect, we maintain our optimism about home building in the years ahead. Although the new tax law trims back the mortgage interest deduction for some high-end homes, the value of the mortgage interest deduction was affected more broadly by the marginal tax rate reductions in the 1980s, during which housing did well. Yes, the new tax law also trims back state and local tax deductions, including the property tax, but we think that's going to affect where people live, not overall home building nationwide. The US economy is looking up and housing is one of the sectors leading the way. In other news this morning, initial jobless claims rose 17,000 last week to 233,000. Meanwhile, continuing claims fell 28,000 to 1.937 million. Expect payroll growth of about 175,000 in January, another solid month.

New 1-Family Houses For Sale: United States



New 1-Family Houses Sold: United States



New Home Sales	Dec-17		Nov-17	Oct-17	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	-9.3%	625	689	599	638	613	14.1
Northeast	-2.4%	41	42	40	41	40	10.8
Midwest	-10.0%	63	70	69	67	68	-3.1
South	-9.8%	331	367	344	347	339	15.7
West	-9.5%	190	210	146	182	165	18.8
Median Sales Price (\$, NSA)	0.1%	335,400	334,900	318,700	329,667	326,267	2.6
		Dec-17	Nov-17	Oct-17	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		5.7	4.9	5.7	5.4	5.6	5.4

Source: Bureau of the Census

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