

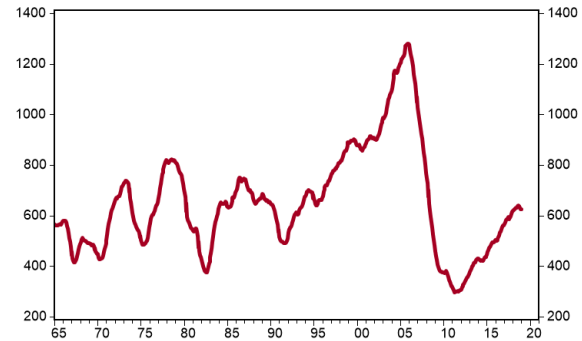
January New Home Sales

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- New single-family home sales declined 6.9% in January to a 607,000 annual rate, below the consensus expected 622,000. Sales are down 4.1% from a year ago.
- Sales fell in the Midwest, Northeast, and South, but rose in the West.
- The months' supply of new homes (how long it would take to sell the homes in inventory) rose to 6.6 months in January from 6.3 months in December. The increase was due entirely to the slower pace of sales. Inventories fell 5,000 units in January.
- The median price of new homes sold was \$317,200 in January, down 3.8% from a year ago. The average price of new homes sold was \$373,100, down 1.2% versus last year.

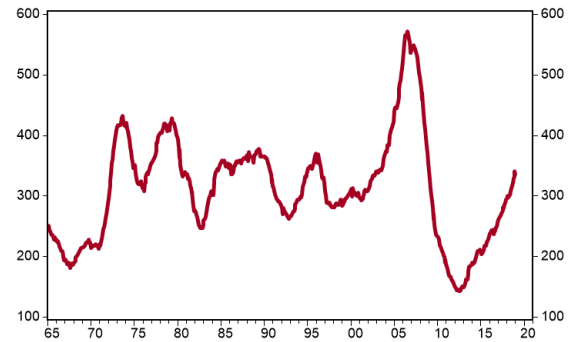
Implications: New home sales stumbled to start 2019, after finishing last year on a strong note. And despite the pessimistic news that has plagued housing reports of late, remember that 2018 had the highest annual average pace of sales since 2007. It is also important to note that December's reading was revised higher in today's report, from a 621,000 annual rate to 652,000. The slowdown in the pace of sales in January came as a jump in home sales in the West was offset by a plunge in sales in the South. As a result of the slower sale pace, the month's supply of new homes rose to 6.6 months, even though the number of homes for sale fell by 5,000 units. The Census Bureau is still catching up on reports delayed by the government shutdown, and their reporting has shown potential measurement issues, as we've pointed out for recent releases on retail sales, durable goods, and housing starts. That said, the slowdown in home sales began before the shutdown, suggesting, if nothing else, that housing demand has waned modestly since early-2018. This could be the result of higher interest rates since the start of 2018, unusual weather trends, or concerns (unjustified, in our opinion) surrounding an economic slowdown. It's still too early to say if we are seeing a reversal in the trend higher that started in early 2011, or temporary weakness. We continue to believe that the fundamentals for the housing market remain solid. First, relative to population, the number of new home sales remains well below where it should be according to history. Using the ratio of sales to the US population from 1995 for example - well before the beginning of the housing bubble - shows new home sales should be at a pace of around 820,000 units annualized. So even a partial climb back to demographic averages bodes well for sales over the coming years. Second, the labor market continues to strengthen, and rising wages should underpin demand. This is especially true now that both median and average sales prices for new homes are falling on a year-over-year basis. Finally, mortgage rates peaked in November and have since retreated, boosting affordability. Bottom line, we expect sales in 2019 to outpace 2018 and continue the upward trend. In other news this morning, new claims for unemployment benefits increased 6,000 last week to 229,000. Continuing claims rose 18,000 to 1.776 million. These figures are consistent with solid payroll growth in March, which should see a jump from February's employment report. On the inflation front, both import and export prices rose 0.6% in February. In the past year, import prices are down 1.3%, while export prices are up 0.3%. Expect higher year ago comparisons later in 2019 due to the rebound in energy prices.

New 1-Family Houses Sold: United States
 12-month Moving Average SAAR, Thous



Source: Census Bureau/Haver Analytics

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



Source: Census Bureau/Haver Analytics

New Home Sales	Jan-19		Dec-18	Nov-18	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	-6.9%	607	652	628	629	608	-4.1
Northeast	-11.4%	31	35	31	32	30	-11.4
Midwest	-28.6%	50	70	76	65	68	-41.9
South	-15.1%	342	403	376	374	351	6.2
West	27.8%	184	144	145	158	159	-3.2
Median Sales Price (\$, NSA)	-0.6%	317,200	319,100	306,500	314,267	320,133	-3.8
		Jan-19	Dec-18	Nov-18	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		6.6	6.3	6.3	6.4	6.5	6.1

Source: Bureau of the Census