

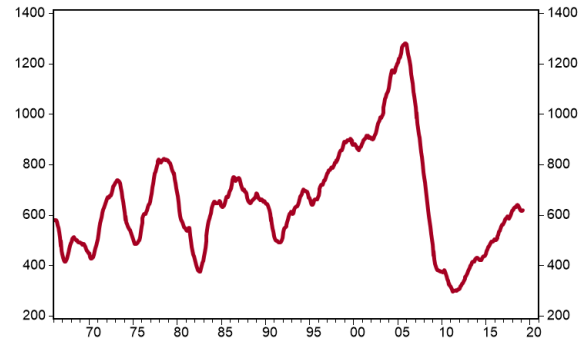
March New Home Sales

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

- New single-family home sales increased 4.5% in March to a 692,000 annual rate, easily beating the consensus expected 649,000. Sales are up 3.0% from a year ago.
- Sales rose in the Midwest, West, and South, but fell in the Northeast.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) fell to 6.0 months in March from 6.3 months in February. The drop was due to both the faster pace of sales and a decline in inventories of 1,000 units.
- The median price of new homes sold was \$302,700 in March, down 9.7% from a year ago. The average price of new homes sold was \$376,000, up 1.8% versus last year.

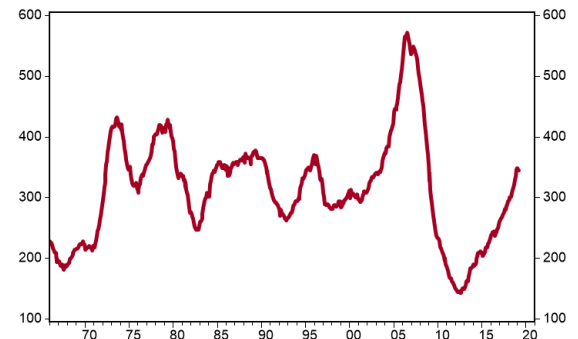
Implications: New home sales surprised to the upside in March, rising for the third consecutive month to beat even the most optimistic forecast by any economics group. At a 692,000 annual pace, sales were just below the post-recession high water mark set in late 2017. On top of this, the recent strength over the past three months pushed sales to a post-recession high on a quarterly basis in Q1. Overall, the fundamental story remains the same: Sales have been on a general upward trend since October, a significant reversal after the slowdown we saw through most of 2018. Notably, the South (which represents the largest portion of overall sales) also hit the fastest sales pace since 2007 in March. Sales in the South are up 9.3% in the past year versus just 3.0% growth for sales overall, demonstrating the outsized role that region has played. It's starting to look like many of the fears about a housing market slowdown may have been premature. Affordability looks to be playing a big role in the recent rebound. Median prices have now fallen on a year-over-year basis for the past five months and are currently down 9.7% in the past year. Further, mortgage rates, after peaking in November, have fallen nearly 70 basis points. Finally, the job market continues to strengthen, and wages are growing at the fastest pace since the Great Recession, which should underpin demand going forward. We also continue to believe the fundamentals should support growth over the medium to long term. Relative to population, the number of new home sales remains well below where it should be. In turn, this means much more home construction, as well. Normally, new home sales are roughly 70% of single-family housing starts. In the past couple of months, new home sales have averaged 86% of single-family starts. Bottom line, we expect sales and construction in 2019 to outpace 2018 and continue the upward trend. In other housing news this morning, home price gains have clearly decelerated. The FHFA index, which measures prices for homes financed with conforming mortgages, increased 0.3% in February, but is up 4.9% from a year ago versus a 7.7% gain in the year ending in February 2018. Finally, on the manufacturing front, the Richmond Fed index, which measures mid-Atlantic factory sentiment, fell to 3 in April from 10 in March. Despite the decline, this continues to signal optimism following a brief dip into negative territory in December and January.

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	Mar-19		Feb-19	Jan-19	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	4.5%	692	662	625	660	618	3.0
Northeast	-22.2%	28	36	29	31	29	-20.0
Midwest	17.6%	87	74	63	75	70	1.2
South	3.6%	401	387	372	387	364	9.3
West	6.7%	176	165	161	167	155	-4.3
Median Sales Price (\$, NSA)	-4.0%	302,700	315,200	303,500	307,133	314,650	-9.7
		Mar-19	Feb-19	Jan-19	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		6.0	6.3	6.7	6.3	6.7	6.3

Source: Bureau of the Census