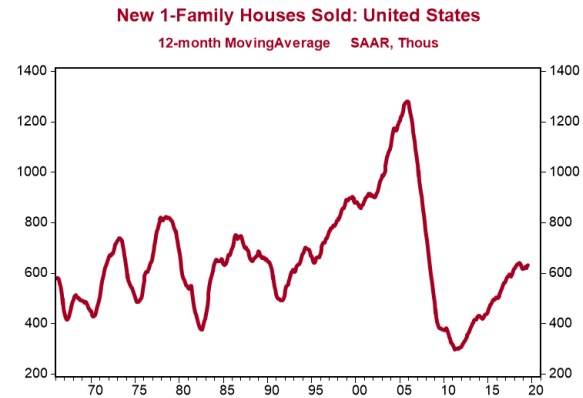


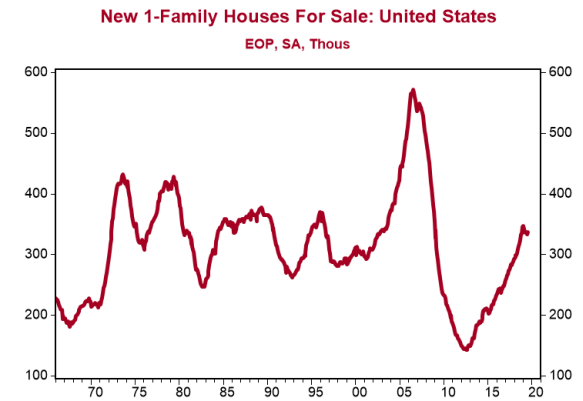
July New Home Sales

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- New single-family home sales declined 12.8% in July to a 635,000 annual rate, below the consensus expected 647,000. Sales are up 4.3% from a year ago.
- Sales fell in the South, West and Midwest, but rose in the Northeast.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) rose to 6.4 months in July from 5.5 months in June. The gain was due to both the slower pace of sales and an increase in inventories of 4,000 units.
- The median price of new homes sold was \$312,800 in July, down 4.5% from a year ago. The average price of new homes sold was \$388,000, down 1.1% versus last year.



Source: Census Bureau/Haver Analytics



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Implications: Don't get bent out of shape over the headline decline in new home sales today, a large upward revision to June is distorting the picture. In fact, June was revised up to a 728,000 annual sales pace, the fastest since 2007, and posted the largest monthly gain in percentage terms since 1992. If it wasn't for the revision, July sales would've only been down 1.7% rather than 12.8%. With that in mind, July looks like a return to a more normal pace of activity after a blowout month where sales were much higher than what should be expected based on the pace of home construction. New home sales normally run around 70% of single-family housing starts. June's sales pace brought that relationship up to 84%, but July's return to normal brought it down to a more sustainable 73%. That said, sales have now exceeded that 70% threshold for each of the past six months, signaling plenty of appetite in the US for new homes. This is part of the reason we think the US is nowhere close to recession. In fact, this should be a tailwind for GDP growth in the year ahead, as opposed to the drag on growth residential construction has been for the past six quarters (through the second quarter of 2019). Affordability has been playing a big role in the recent rebound in sales, with mortgage rates having fallen roughly 110 basis points after peaking in November. On top of this, new home prices have moderated, with six of the seven months so far in 2019 posting declines on a year-over-year basis. One caveat to this is that there looks to be a deficit of available new homes on the lower end of the price spectrum, with July being the first month on record where no properties worth \$150,000 or less were sold. Overall, the fundamentals signal growth in home sales over the medium to long term. Relative to population, the number of new home sales remains well below where it should be. That means much more home construction will be needed; it's simple math. Bottom line, we expect sales and construction in 2019 to outpace 2018 and continue the upward trend. In other recent news, initial jobless claims fell 12,000 last week to 209,000. Continuing claims fell 54,000 to 1.674 million. Plugging these figures into our model suggests nonfarm payrolls will continue to grow at a healthy pace in August. Finally, on the manufacturing front, the Kansas City Fed Index, a measure of factory sentiment in the region, declined to -6 in August from -1 in July, as trade uncertainty continued to hold down sentiment.

New Home Sales	Jul-19		Jun-19	May-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	-12.8%	635	728	602	655	664	4.3
Northeast	50.0%	39	26	23	29	30	56.0
Midwest	-11.1%	56	63	70	63	70	-18.8
South	-16.1%	359	428	379	389	380	3.2
West	-14.2%	181	211	130	174	183	8.4
Median Sales Price (\$, NSA)	2.2%	312,800	306,000	311,000	309,933	316,700	-4.5
		Jul-19	Jun-19	May-19	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		6.4	5.5	6.7	6.2	6.1	6.4

Source: Bureau of the Census