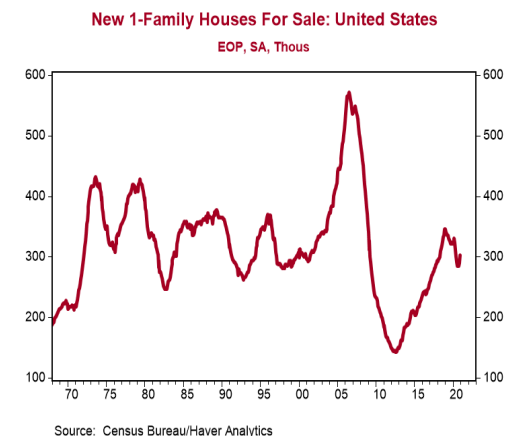
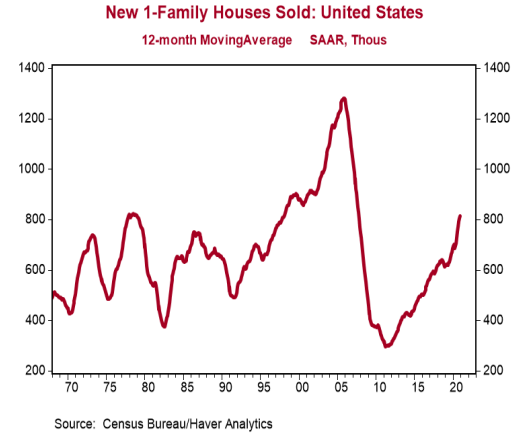


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December New Home Sales

- New single-family home sales increased 1.6% in December to a 0.842 million annual rate, below the consensus expected 0.870 million. Sales are up 15.2% from a year ago.
- Sales in December rose in the Midwest and West, but fell in the Northeast and South.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) rose to 4.3 in December from 4.2 in November. The gain was due an increase in inventories of 12,000 units more than offsetting a faster pace of sales.
- The median price of new homes sold was \$355,900 in December, up 8.0% from a year ago. The average price of new homes sold was \$394,900, up 4.6% versus last year.



Implications: New home sales fell short of consensus expectations in December but still rose 1.6% for the month and closed out a very strong year for this segment of the housing market. New single-family home sales in 2020 were the best in fourteen years, as the pandemic and urban unrest helped shift buyer preferences toward safer and more spacious options in the suburbs. Moreover, sales rose 18.7% for the year, the largest annual gain since 2012. The most likely culprit for the slowdown in sales since this Summer is the lack of finished new homes waiting for buyers, which has been a headwind for the market. In the past year, the only portion of the inventory of unsold new homes that has increased are homes where construction has yet to start. Meanwhile, the inventory of unsold homes that are either under construction or finished is down from a year ago. Overall, while the number of new single-family homes started is up 27.8% from a year ago, the inventory of completed new homes available for sale is down 45.5% over the same period, illustrating just how strong demand has been so far in 2020. Given the downward pressure that social distancing regulations, shortages of labor, supply chain issues, and now cold weather continue to exert on new construction, it will be difficult to satisfy this demand in the short run. However, as the pandemic ebbs in 2021, due to widespread vaccine distribution and warmer weather as we enter the Spring, many of these impediments will fade. And with more inventory available, we expect demand will remain strong and push sales higher in 2021. Why? First, affordability; near zero interest rates from the Federal Reserve have helped reduce the 30-year fixed mortgage to record lows. Second, due to the pandemic, closures, and urban unrest, buyers' preferences have shifted away from units in denser urban environments, toward more spacious options in the suburbs, where most new single-family homes are built. While some portion of this effect will no doubt reverse as we return to "normal," we expect many buyers who have their minds set on a single-family home will follow through as more options become available. In other news this morning, the Kansas City Fed Manufacturing Index, a measure of factory sentiment in that region, increased to 17 in January from 14 in December, a good sign for continued improvement in the US economy.

New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Dec-20		Nov-20	Oct-20	3-mo	6-mo	Yr to Yr
	% Ch	Level			moving avg	moving avg	% Change
New Single Family Homes Sales	1.6%	842	829	949	873	924	15.2
Northeast	-6.1%	31	33	38	34	38	-20.5
Midwest	30.6%	94	72	102	89	98	13.3
South	-5.1%	483	509	536	509	538	21.7
West	8.8%	234	215	273	241	250	10.4
Median Sales Price (\$, NSA)	3.5%	355,900	343,900	345,500	348,433	340,833	8.0
		Dec-20	Nov-20	Oct-20	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		4.3	4.2	3.6	4.0	3.8	4.7

Source: Bureau of the Census