

# March New Home Sales

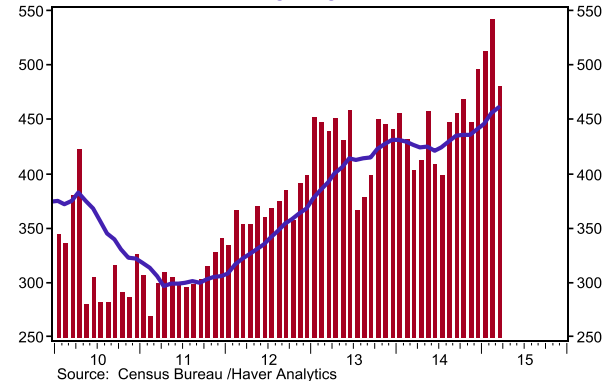
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- New single-family home sales declined 11.4% in March to a 481,000 annual rate, coming in below the consensus expected pace of 515,000. Sales are up 19.4% from a year ago.
- Sales declined in the Northeast, South and West, but rose in the Midwest.
- The months' supply of new homes (how long it would take to sell the homes in inventory) rose to 5.3 months in March from 4.6 in February. Most of the increase was due to the slower pace of sales, but inventories rose by 4,000 units as well.
- The median price of new homes sold was \$277,400 in March, down 1.7% from a year ago. The average price of new homes sold was \$343,300, up 3.6% versus last year.

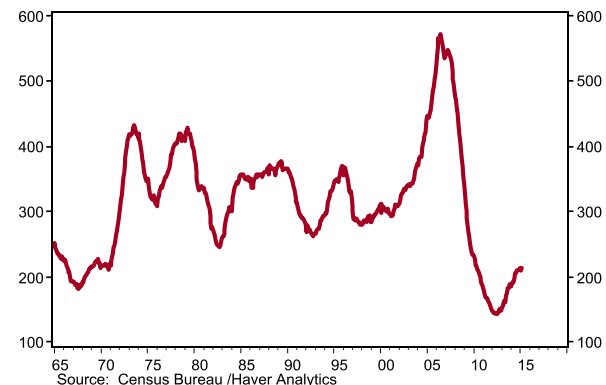
**Implications:** Don't get bent out of shape about the big decline in new home sales in March; the upward trend in home sales is still intact and we expect higher home sales in the year ahead. New home sales boomed well above trend in February, defying nasty winter weather to beat even the most optimistic forecast from any economics group. A good "rule of thumb" for forecasting new home sales is that they average about 70% of single-family housing starts. (Some single-family starts are on properties already owned by the person who will occupy the home, so they aren't connected to sales. Think voluntary knockdowns as well as replacements for homes destroyed by fires, floods, hurricanes, tornadoes,...etc.) But, in February, new home sales were over 90% of single-family starts. As a result, we were forecasting a return toward the 70% norm and, with an estimate of a 474,000 annualized pace, came very close to the actual 481,000. In spite of the decline in March, sales are up 19.4% from a year ago, and have clearly been improving as the chart to the right shows. The inventory of new homes increased 4,000 in March, but still remains very low. As a result, homebuilders still have plenty of room to increase both construction and inventories. But sales still remain depressed relative to history. We think there are a few reasons for this. First, a larger share of the population is renting. Second, buyers have shifted slightly from single-family homes, which are counted in the new home sales data, to multi-family homes (think condos in cities), which are not counted in this report. Third, although we may be starting to see a thaw, financing is still more difficult than it has been in the past. Each of these is beginning to change. Recently, single-family housing starts have showed some signs of picking up relative to multi-family starts, suggesting builders (the quintessential entrepreneur) see a larger appetite for homeownership and single-family home purchases. Meanwhile, while rents keep rising, the median sales price of a new home in March was down 1.7% from a year ago. Lower prices, and more supply for new homes may help draw in more buyers in the months to come. In other news this morning, initial claims for unemployment insurance rose 1,000 last week to 295,000. The four-week moving average is 284,500 and this is now the 7<sup>th</sup> consecutive week below 300,000. Continuing claims for regular state benefits increased 50,000 to 2.33 million. It's still early, but our models are tracking a payroll gain of 280,000 in April, a very solid month.

**New 1-Family Houses Sold**  
SAAR, Thous

**New 1-Family Houses Sold**  
12-month Moving Average SAAR, Thous



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



New Home Sales	Mar-15		Feb-15	Jan-15	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
<i>All Data Seasonally Adjusted, Levels in Thousands</i>							
<b>New Single Family Homes Sales</b>	-11.4%	481	543	514	513	492	19.4
<b>Northeast</b>	-33.3%	20	30	17	22	25	-20.0
<b>Midwest</b>	5.9%	54	51	61	55	57	-3.6
<b>South</b>	-15.8%	267	317	290	291	274	14.6
<b>West</b>	-3.4%	140	145	146	144	135	57.3
<b>Median Sales Price (\$, NSA)</b>	-1.5%	277,400	281,600	292,300	283,767	292,567	-1.7
		Mar-15	Feb-15	Jan-15	3-mo Avg	6-mo Avg	12-mo Avg
<b>Months' Supply at Current Sales Rate (Levels)</b>		5.3	4.6	5.0	5.0	5.2	5.4

Source: Bureau of the Census

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