

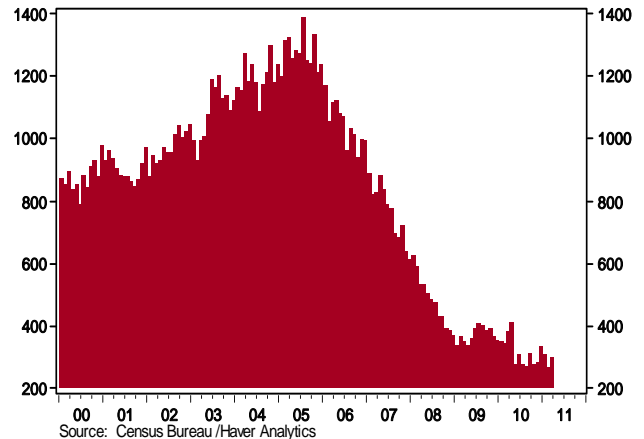
# MARCH NEW HOME SALES

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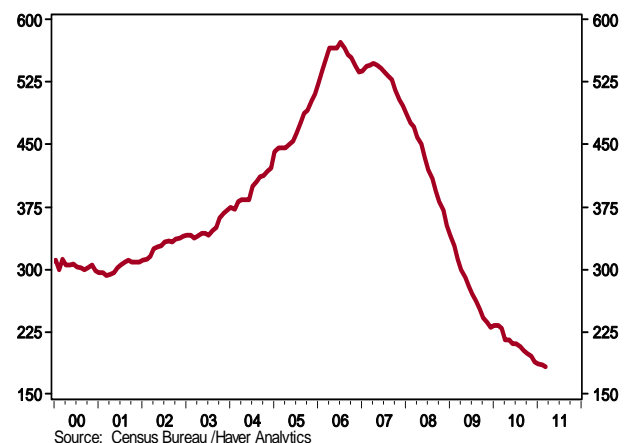
- New single-family home sales rose 11.1% in March, coming in at a 300,000 annual rate, beating the consensus expected pace of 280,000.
- Sales were up in the Northeast, West and Midwest, but were down slightly in the South.
- At the current sales pace, the months' supply of new homes (how long it would take to sell the homes in inventory) fell to 7.3 in March from 8.2 in February. The decline in the months' supply was mostly due to the faster pace of sales; actual inventories also fell 2,000 from last month, hitting the lowest level since 1967.
- The median price of new homes sold was \$213,800 in March, down 4.9% from a year ago. The average price of new homes sold was \$246,800, down 6.1% versus last year.

**Implications:** New home sales rose 11.1% in March and were revised up for prior months. This is very good news, but does not necessarily signal the start of a consistent upward trend. Sales remain in the middle of the range we have seen since last May. The new home market still faces two big problems. First, there are far too many existing homes on the market, many of which are almost new and – due to foreclosures and short sales – selling at a steep discount to fair value (or even building costs). Second, despite low mortgage rates, credit conditions are very tight, particularly for buyers who don't have very good credit scores and a 20% down-payment. Interestingly, about half of the new homes sold are already completed. By contrast, during the housing boom the vast majority of new homes sold were either still under construction or not even started. In other words, buyers today can easily forego the headache of waiting for their new home to be finished. Buyers who have access to credit or can buy with cash have never been in a better position. We expect new home sales to eventually increase substantially, but it will take several years to fully recover. In other recent housing news, the FHFA index, a measure of prices for homes financed with conforming mortgages, dropped 1.6% in February, the largest monthly decline since late 2008. These home prices are now down to levels last seen in 2004. Homebuyers with access to credit and those who can purchase with cash are getting phenomenal deals right now.

New 1-Family Houses Sold: United States  
SAAR, Thous



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



New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Mar-11		Feb-11	Jan-11	3-mo	6-mo	Yr to Yr
	% Ch	Level			moving avg	moving avg	% Change
<b>New Single Family Homes Sales</b>	11.1%	300	270	312	294	297	-21.9
<i>Northeast</i>	66.7%	30	18	39	29	27	-9.1
<i>Midwest</i>	12.9%	35	31	41	36	37	-34.0
<i>South</i>	-0.6%	162	163	161	162	163	-21.4
<i>West</i>	25.9%	73	58	71	67	71	-20.7
<b>Median Sales Price (\$, NSA)</b>	2.9%	213,800	207,700	239,000	220,167	220,917	-4.9
		<b>Mar-11</b>	<b>Feb-11</b>	<b>Jan-11</b>	<b>3-mo Avg</b>	<b>6-mo Avg</b>	<b>12-mo Avg</b>
<b>Months' Supply at Current Sales Rate (Levels)</b>		7.3	8.2	7.2	7.6	7.7	8.0

Source: Bureau of the Census