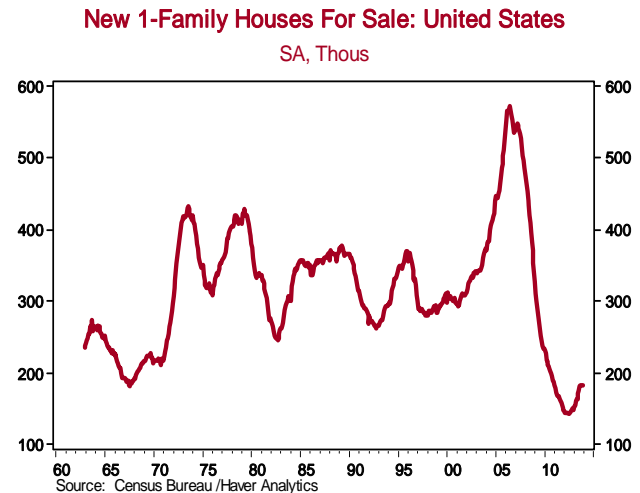
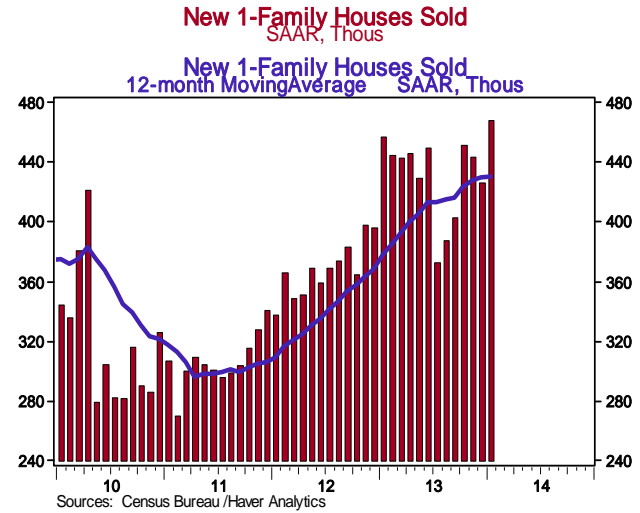


January New Home Sales

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- New single-family home sales boomed 9.6% in January to a 468,000 annual rate, coming in well above the consensus expected pace of 400,000. Sales are up 2.2% from a year ago.
- Sales were up in the Northeast, West and South, but were down in the Midwest.
- The months' supply of new homes (how long it would take to sell the homes in inventory) declined to 4.7 in January from 5.2 in December. The decline in the months' supply was all due to a faster sales pace. Inventory remained unchanged.
- The median price of new homes sold was \$260,100 in January, up 3.4% from a year ago. The average price of new homes sold was \$322,800 up 5.2% versus last year.

Implications: Well, that was a pleasant surprise! Despite terrible weather and what most economists thought was going to be a drop, new home sales surged 9.6% in January, coming in at a 468,000 annual rate, the highest level since July 2008. Although we still believe weather has been suppressing both home construction and sales, today's report also supports our theory that some of the recent weakness in existing home sales can be attributed to a lack of inventory, causing potential buyers to look more in the new home market. The surge in new home sales also undermines the theory that higher interest rates are holding back sales. The US had a bubble in housing during 2003-07, when 30-year mortgage rates averaged 6.1%. Today they are 4.4%. Adjusted for inflation, real mortgage rates are actually a little bit lower today than they were back in 2003-2007. The months' supply of new homes – how long it would take to sell all the new homes in inventory – declined to 4.7 in January, well below the average of 5.7 over the past twenty years. As a result, as the pace of sales continues to recover in the years ahead, homebuilders still have plenty of room to increase both construction and inventories. Another way to think about it is that the construction of new homes can outpace a rising pace of sales. On the price front, the median sales price of a new home was up 3.4% from a year ago, while average prices are up 5.2%. In other recent housing news, the Case-Shiller index, which measures home prices in the 20 largest metro areas, increased 0.8% in December and was up 13.4% in 2013. Recent price gains have been led by Miami, Detroit, and Atlanta. The FHFA index, which measures prices for homes financed with conforming mortgages, also rose 0.8% in December and was up 7.7% in 2013. The annual increase in the Case-Shiller index and the FHFA index were both the largest since 2005. On the manufacturing front, the Richmond Fed index, a measure of mid-Atlantic manufacturing activity, fell to -6 in February from +12 in January. We see this as weather-related and not a reason to worry, unless negative readings continue into the Spring.



New Home Sales	Jan-14		Dec-13	Nov-13	3-mo	6-mo	Yr to Yr
	% Ch	Level					
<i>All Data Seasonally Adjusted, Levels in Thousands</i>					moving avg	moving avg	% Change
New Single Family Homes Sales	9.6%	468	427	444	446	430	2.2
Northeast	73.7%	33	19	32	28	29	3.1
Midwest	-17.2%	48	58	54	53	58	-14.3
South	10.4%	276	250	247	258	247	22.7
West	11.0%	111	100	111	107	97	-23.4
Median Sales Price (\$, NSA)	-2.2%	260,100	265,900	269,200	265,067	264,100	3.4
		Jan-14	Dec-13	Nov-13	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		4.7	5.2	4.9	4.9	5.1	4.8

Source: Bureau of the Census