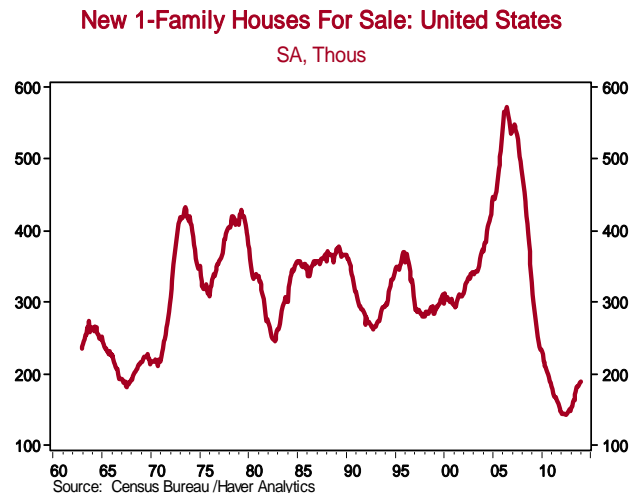
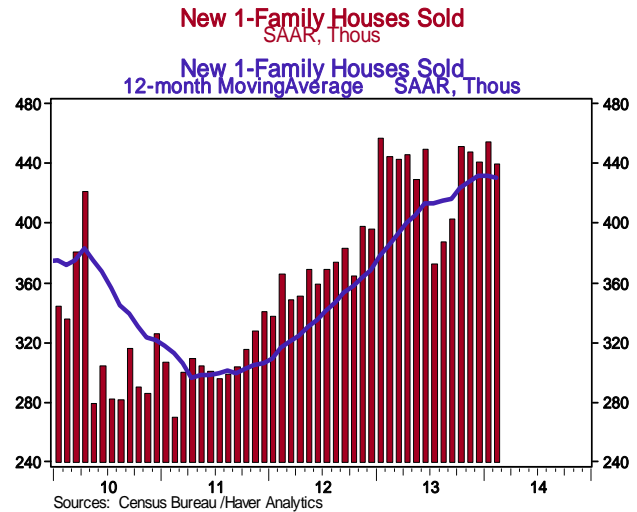


# February New Home Sales

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- New single-family home sales declined 3.3% in February to a 440,000 annual rate, coming in slightly below the consensus expected pace of 445,000. Sales are down 1.1% from a year ago.
- Sales declined in the Northeast, West and South, but were up in the Midwest.
- The months' supply of new homes (how long it would take to sell the homes in inventory) increased to 5.2 in February from 5.0 January. The rise in the months' supply was mainly due to a slower sales pace. Inventory rose by 1,000 units.
- The median price of new homes sold was \$261,800 in February, down 1.2% from a year ago. The average price of new homes sold was \$317,500 up 1.6% versus last year.

**Implications:** On February 2<sup>nd</sup>, Punxsutawney Phil woke up and predicted six more weeks of winter. Boy was he right! Terrible weather has been suppressing both home construction and sales, and today's report appears to be another victim as new home sales fell 3.3% in February to a five month low. Some people may blame the recent slowdown in new home sales on higher interest rates but the US had a bubble in housing during 2003-05, when 30-year mortgage rates averaged 5.8%. Today the rate is 4.3%. The months' supply of new homes – how long it would take to sell all the new homes in inventory – rose to 5.2 in February, but is still below the average of 5.7 over the past twenty years. We wouldn't worry about this increase, which is mostly for homes that haven't been built yet. The inventory of completed new homes remains very low. 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 down 1.2% from a year ago, while average prices were up 1.6%. In other housing news this morning, the Case-Shiller index, which tracks home prices in the 20 largest metro areas, increased 0.8% in January and is up 13.2% in the past year. In the past twelve months, price gains have been led by Las Vegas, San Francisco, San Diego, and Los Angeles. All 20 metro areas are up, but the smallest gains have been for Cleveland, New York, and Charlotte. The FHFA index, which measures nationwide prices for homes purchased with conforming mortgages, increased 0.5% in January and is up 7.4% in the past year. Look for home prices to continue rising in the year ahead, but not as quickly. On the manufacturing front, the Richmond Fed index, which measures mid-Atlantic manufacturing sentiment slipped to -7 in March versus -6 in February. Not surprising considering the continued snowfall in the region through St. Patrick's Day.



New Home Sales	Feb-14		Jan-14	Dec-13	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>	-3.3%	440	455	441	445	440	-1.1
<b>Northeast</b>	-32.4%	23	34	22	26	28	-34.3
<b>Midwest</b>	36.7%	67	49	61	59	60	1.5
<b>South</b>	-1.5%	255	259	253	256	251	19.7
<b>West</b>	-15.9%	95	113	105	104	101	-27.5
<b>Median Sales Price (\$, NSA)</b>	0.4%	261,800	260,800	269,600	264,067	267,233	-1.2
		<b>Feb-14</b>	<b>Jan-14</b>	<b>Dec-13</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>		5.2	5.0	5.1	5.1	5.1	4.9

Source: Bureau of the Census