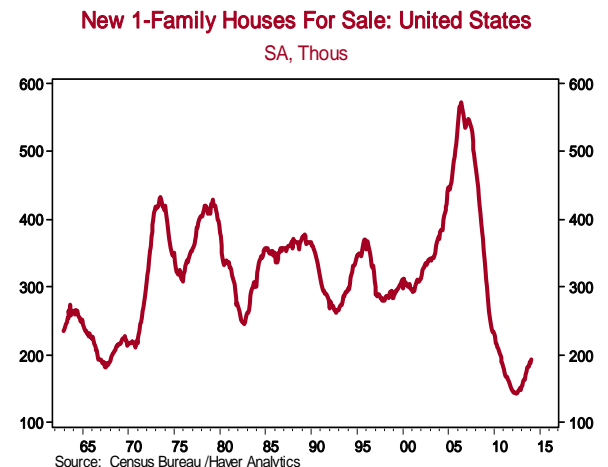
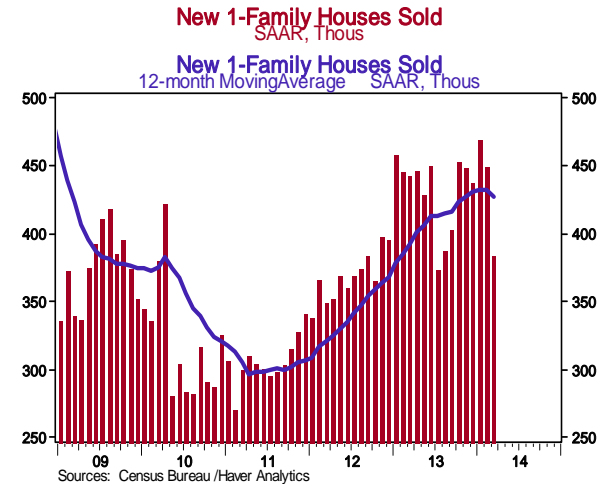


March New Home Sales

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- New single-family home sales declined 14.5% in March to a 384,000 annual rate, coming in well below the consensus expected pace of 450,000. Sales are down 13.3% from a year ago.
- Sales declined in the Midwest, West and South, but were up in the Northeast.
- The months' supply of new homes (how long it would take to sell the homes in inventory) increased to 6.0 in March from 5.0 February. The rise in the months' supply was due to a much slower sales pace along with a 6,000 unit increase in inventory.
- The median price of new homes sold was \$290,000 in March, up 12.6% from a year ago. The average price of new homes sold was \$334,200 up 11.3% versus last year.

Implications: A very ugly report out today for housing. New home sales fell 14.5% in March to a 384,000 annual rate, the lowest level since July 2013 and much lower than the consensus expected. Unlike existing home sales, which are counted at closing, new home sales are counted when contracts are signed. Previous months had seen extreme weather which we believed was holding down sales as consumers had a harder time getting out to see places. Well, in March, weather was not a major issue. Instead, a few factors probably held down new home sales in March. First, the median sales price of a new home increased 11.2% in March, the largest monthly percent gain ever recorded. Median prices are now up 12.6% from a year ago, while average prices are up 11.3%. As a result, some potential buyers may be balking at higher prices. The demand may be there, but builders need to adjust their prices. Second, although higher mortgage rates should not be a long-term issue – the US had a bubble in housing in 2003-05 when 30-year rates averaged 5.8% versus 4.3% today – higher interest rates may be a short-term issue until potential buyers get acclimated to the higher level. This process should not take long as rates remain low by historical standards. Third, buyers may be shifting from single-family, which are counted in new home sales, to multi-family homes (think condos in cities), which are not counted in the report. The months' supply of new homes – how long it would take to sell all the new homes in inventory – rose to 6.0 in March, above the average of 5.7 over the past twenty years. We wouldn't worry about the 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. With total cash earnings for workers up 4% versus a year ago, consumers' ability to pay for new housing is there and sales of new homes should trend higher over the coming years.



New Home Sales	Mar-14		Feb-14	Jan-14	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
<i>All Data Seasonally Adjusted, Levels in Thousands</i>							
New Single Family Homes Sales	-14.5%	384	449	470	434	440	-13.3
Northeast	12.5%	27	24	36	29	29	-22.9
Midwest	-21.5%	51	65	51	56	58	-17.7
South	-14.4%	226	264	262	251	253	-3.8
West	-16.7%	80	96	121	99	100	-27.9
Median Sales Price (\$, NSA)	11.2%	290,000	260,900	262,700	271,200	271,750	12.6
		Mar-14	Feb-14	Jan-14	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		6.0	5.0	4.8	5.3	5.1	5.0

Source: Bureau of the Census