

# February New Home Sales

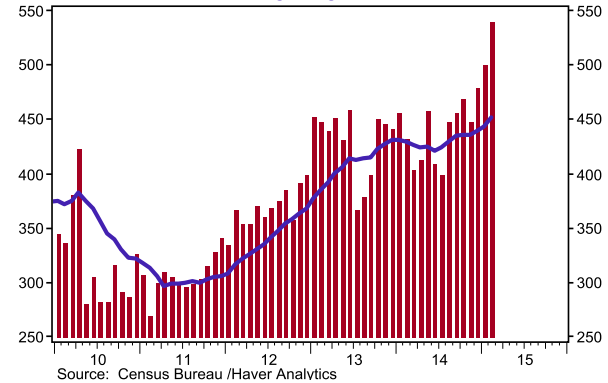
**Brian S. Wesbury** – Chief Economist  
**Robert Stein, CFA** – Dep. Chief Economist  
**Strider Elass** – Economist

- New single-family home sales rose 7.8% in February to a 539,000 annual rate, coming in well above the consensus expected pace of 464,000. Sales are up 24.8% from a year ago.
- Sales increased in the Northeast and South, but declined in the Midwest and West.
- The months' supply of new homes (how long it would take to sell the homes in inventory) dropped to 4.7 months in February. Inventories declined by 3,000 units.
- The median price of new homes sold was \$275,500 in February, up 2.6% from a year ago. The average price of new homes sold was \$341,000, up 4.6% versus last year.

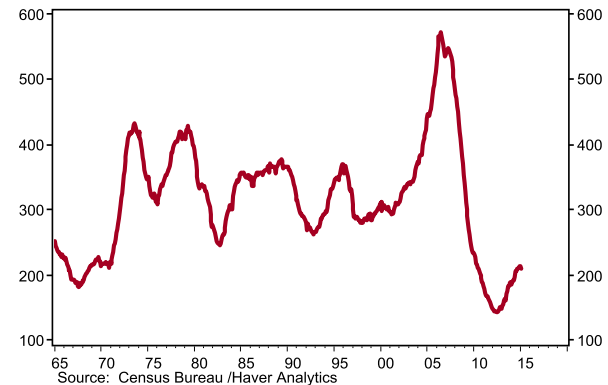
**Implications:** New home sales soared in February, defying the nasty winter weather and beating even the most optimistic forecast from any economics group. Sales of new homes rose 7.8% to a 539,000 annual rate in February, the fastest pace in seven years. Overall sales are up 24.8% from a year ago, and have clearly been improving as the chart to the right shows. One possible reason for the big gain may be all the talk about the Federal Reserve raising rates later this year, which may be getting some buyers into the market sooner thinking they can avoid paying higher rates in the future. This is consistent with existing homes sales data, which show fewer all-cash buyers and more financed purchases. The other piece of good news was that the inventory of new homes declined 3,000 in February, and still remains very low. The months' supply is 4.7, the lowest level since June 2013. As a result, homebuilders still have plenty of room to increase both construction and inventories. But despite the strong gains, 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 grown faster than multi-family starts, suggesting builders (the quintessential entrepreneur) see a larger appetite for homeownership and single-family home purchases. The median sales price of a new home in February was up 2.6% from a year ago. Also on the home price front, the FHFA index, which measures prices for homes financed with conforming mortgages, increased 0.3% in January. In the past year, the FHFA index is up 5.1%, a solid gain but a smaller one than the 7.4% increase in the twelve months ending January 2014. We expect further gains in home prices in 2015, although at a slower pace than previous years. In other recent news today, the Richmond Fed index, which measures manufacturing sentiment in the mid-Atlantic, declined to -8 in March from 0 in February. For now, we think the drop reflects the unusually harsh weather in that region this winter.

**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   | Feb-15 |         | Jan-15  | Dec-14  | 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>                     | 7.8%   | 539     | 500     | 479     | 506             | 482             | 24.8              |
| <b>Northeast</b>   | 152.9% | 43      | 17      | 31      | 30              | 30              | 87.0              |
| <b>Midwest</b>   | -12.9% | 54      | 62      | 51      | 56              | 58              | -3.6              |
| <b>South</b>   | 10.1%  | 316     | 287     | 271     | 291             | 270             | 22.0              |
| <b>West</b>  | -6.0%  | 126     | 134     | 126     | 129             | 124             | 34.0              |
| <b>Median Sales Price (\$, NSA)</b>                      | -4.8%  | 275,500 | 289,400 | 295,500 | 286,800         | 287,333         | 2.6               |
|  |        | Feb-15  | Jan-15  | Dec-14  | 3-mo Avg        | 6-mo Avg        | 12-mo Avg         |
| <b>Months' Supply at Current Sales Rate (Levels)</b>     |        | 4.7     | 5.1     | 5.3     | 5.0             | 5.3             | 5.5               |

Source: Bureau of the Census