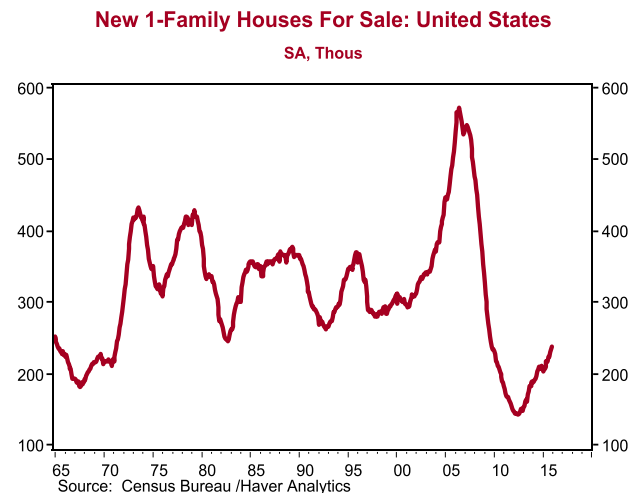
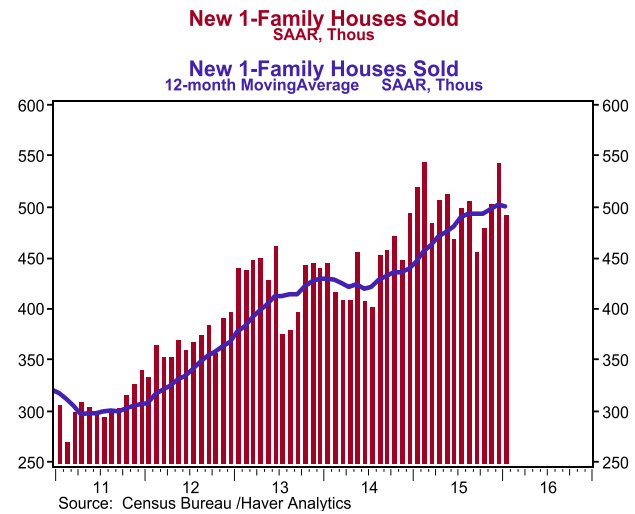


# January New Home Sales

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- New single-family home sales declined 9.2% in January to a 494,000 annualized rate, coming in below the consensus expected pace of 520,000. Sales are down 5.2% from a year ago.
- Sales fell in the West and Midwest, but rose in the Northeast and South.
- The months' supply of new homes (how long it would take to sell the homes in inventory) rose to 5.8 months in January from 5.1 months in December. The increase in the months' supply was due to both a slower sales pace and a growth in inventories of 5,000 units.
- The median price of new homes sold was \$278,800 in January, down 4.5% from a year ago. The average price of new homes sold was \$365,700, up 2.7% versus last year.

**Implications:** After a surprisingly strong showing to close out 2015, new home sales dropped unexpectedly in January, coming in below even the lowest estimate by any economics group. New home sales fell 9.2% in January to a 494,000 annualized pace, and are now down 5.2% versus last year. However, we don't believe this is the beginning of the end for the US housing market. Home sales data are volatile from month to month, illustrated by today's report which stated with 90% confidence that the headline number could move in either direction by as much 13.5%. When big swings like this happen it's important to look at the trend, which continues to be positive. We think there are a couple broader reasons for this. First, it looks like employment gains and the beginning of a thaw in mortgage financing are starting to have a positive effect. Second, wage growth seems to be picking up, putting the prospect of buying a home in reach for more people. Despite this, sales remain at depressed levels relative to where they should be. Why? First, the homeownership rate remains depressed as 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. We think this will change gradually over the next few years and new home sales will continue on an upward trend. In addition, the details of today's report show why there's plenty of room for more home construction. Although the inventory of new homes rose 5,000 in January, to its highest level since October 2009, it still remains very low by historical standards (see chart to right). Moreover, the gain in inventories has been led by homes where construction has yet to begin. We won't be concerned about inventories in the new home market until we see a surge in unsold homes where construction has been completed, and that's not even on the radar. Although new home prices show some slippage from a year ago, that's probably due to a shift in the mix of homes sold toward lower-priced units as the market improves, not a reflection of actual price declines for particular homes.



New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Jan-16		Dec-15	Nov-15	3-mo	6-mo	Yr to Yr
	% Ch	Level			moving avg	moving avg	% Change
<b>New Single Family Homes Sales</b>	<b>-9.2%</b>	<b>494</b>	544	503	514	498	-5.2
<b>Northeast</b>	<b>3.4%</b>	<b>30</b>	29	25	28	28	100.0
<b>Midwest</b>	<b>-5.9%</b>	<b>64</b>	68	61	64	61	-1.5
<b>South</b>	<b>1.8%</b>	<b>290</b>	285	275	283	281	-2.0
<b>West</b>	<b>-32.1%</b>	<b>110</b>	162	142	138	128	-24.1
<b>Median Sales Price (\$, NSA)</b>	<b>-5.7%</b>	<b>278,800</b>	295,800	304,300	292,967	297,567	-4.5
		<b>Jan-16</b>	<b>Dec-15</b>	<b>Nov-15</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>		<b>5.8</b>	5.1	5.5	5.5	5.5	5.3

Source: Bureau of the Census

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