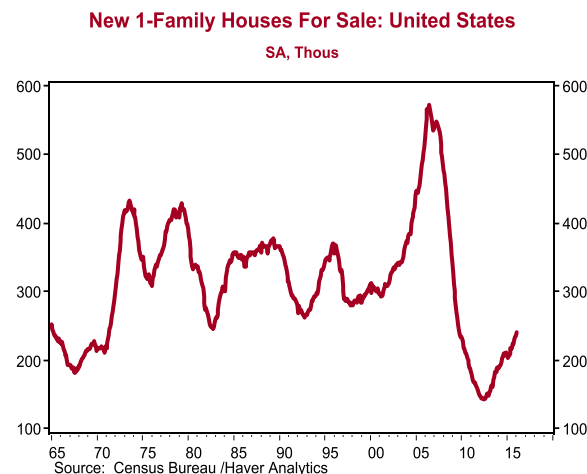
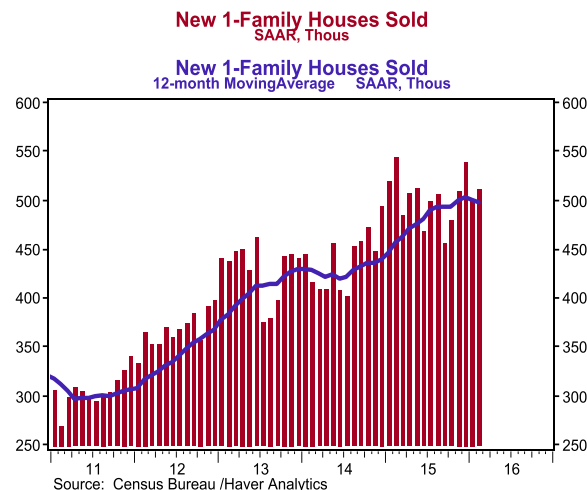


## February New Home Sales

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- New single-family home sales increased 2.0% in February to a 512,000 annual rate, coming in above the consensus expected pace of 510,000. Sales are down 6.1% from a year ago.
- Sales rose in the West, but fell in the Northeast, Midwest and South.
- The months' supply of new homes (how long it would take to sell the homes in inventory) remained unchanged at 5.6 months in February. The months' supply remained the same due to a faster sales pace offsetting a growth in inventories of 4,000 units.
- The median price of new homes sold was \$301,400 in February, up 2.6% from a year ago. The average price of new homes sold was \$348,900, down 2.0% versus last year.

**Implications:** New home sales continued to show strength in today's report, posting their fourth gain in the past five months, and coming in above consensus expectations. Sales of new homes rose 2.0% in February to a 512,000 annualized pace, but are still down 6.1% versus last year. Despite the increase in February sales being entirely due to a 38.5% surge in the West, the nationwide housing market still has plenty of room to expand. Home sales data are volatile from month to month. This is why it is 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. Although the inventory of new homes rose 4,000 in February, it still remains very low by historical standards (see chart to right). Moreover, the gain in inventories has been led by homes where construction is still in progress, or has yet to begin. As a result, homebuilders still have plenty of room to increase both construction and inventories. In fact, last week's report on new-home construction showed single family homes are being built at the fastest pace since 2007. On the price front, the FHFA index, which measures prices for homes financed with conforming mortgages, increased 0.5% in January and is up 6.0% from a year ago. In the year ending in January 2015, FHFA prices were up 5.0%. Accelerating price gains are due to the relatively sluggish pace of homebuilding. Although construction has rebounded in the past five years, it's still below fundamentals based on population growth and scrapage. As a result, expect further healthy home price gains in 2016-17. On the factory front, the Richmond Fed index, which measures mid-Atlantic manufacturing sentiment, jumped to +22 in March from -4 in February, the strongest month-to-month change in the report's history. This corroborates the strength seen in other recent regional reports and shows that nationwide the manufacturing sector may be turning a corner.



New Home Sales	Feb-16		Jan-16	Dec-15	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>	<b>2.0%</b>	<b>512</b>	502	540	518	500	-6.1
<b>Northeast</b>	<b>-24.2%</b>	<b>25</b>	33	28	29	27	-3.8
<b>Midwest</b>	<b>-17.9%</b>	<b>55</b>	67	70	64	62	1.9
<b>South</b>	<b>-4.1%</b>	<b>281</b>	293	280	285	278	-14.3
<b>West</b>	<b>38.5%</b>	<b>151</b>	109	162	141	133	10.2
<b>Median Sales Price (\$, NSA)</b>	<b>6.2%</b>	<b>301,400</b>	283,900	297,000	294,100	300,933	2.6
		<b>Feb-16</b>	<b>Jan-16</b>	<b>Dec-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>5.6</b>	5.6	5.2	5.5	5.6	5.3

Source: Bureau of the Census

This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.