

January New Home Sales

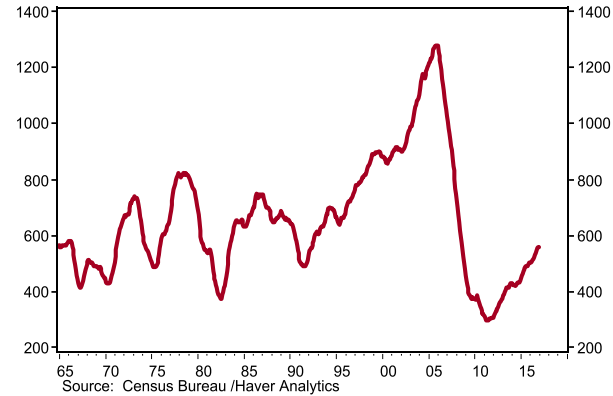
Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Economist

- New single-family home sales increased 3.7% in January to a 555,000 annual rate, falling well below the consensus expected pace of 571,000. Sales are up 5.5% from a year ago.
- Sales rose in the Northeast, Midwest, and South, but fell in the West.
- The months' supply of new homes (how long it would take to sell the homes in inventory) remained unchanged at 5.7 months in January. A 9,000 increase in inventory was offset by a faster pace of sales.
- The median price of new homes sold was \$312,900 in January, up 7.5% from a year ago. The average price of new homes sold was \$360,900, down 1.3% versus last year.

Implications: New home sales rose in January, although not quite as fast as the consensus expected. Sales increased 3.7% in January and are now up 5.5% versus a year ago, illustrating the "fits and starts" recovery of the past several years. Using the 12-month moving average to cut through the volatility shows the upward trend in sales remains intact. Meanwhile, despite a 9,000 increase in unsold new homes, inventories remain low by historical standards (see chart to right) and are not a headwind to future construction. Most of this gain in inventories in January was due to homes where construction has yet to start. Going forward, we expect housing to remain a positive factor for the economy. First, employment gains continue which should put upward pressure on wage growth. Second, the mortgage market is starting to thaw. Third, the homeownership rate remains depressed as a larger share of the population is renting, leaving plenty of potential buyers as economic conditions continue to improve. Unlike single-family homes which are counted in the new home sales data, multi-family homes (think condos in cities) are not counted. So a shift back toward single family units will also serve to push reported sales higher. Look for overall gains in home sales in the year ahead as these factors combine to drive expansion, and any headwind created by an increase in mortgage rates is offset by expectations of faster future economic growth. In other recent housing news, the FHFA Index, which measures prices for homes financed with conforming mortgages, increased 0.4% in December and was up 6.2% in 2016, the second fastest increase for any calendar year since 2005. More broadly, new claims for unemployment insurance increased 6,000 last week to 244,000. Continuing claims fell 17,000 to 2.06 million. It's still early, but plugging these figures into our models suggests a nonfarm payroll gain of about 195,000 for February, which would boost the odds of a March rate hike.

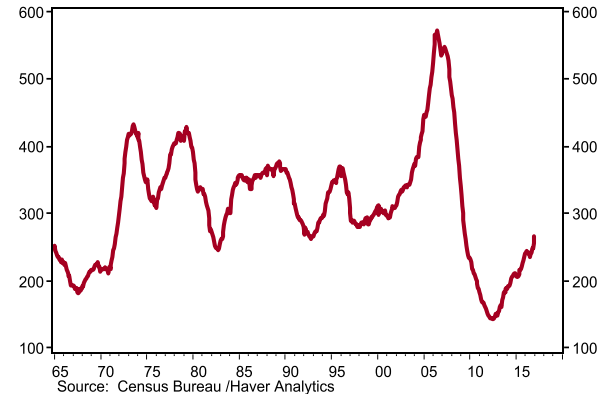
New 1-Family Houses Sold: United States

12-month Moving Average SAAR, Thous



New 1-Family Houses For Sale: United States

SA, Thous



New Home Sales	Jan-17		Dec-16	Nov-16	3-mo	6-mo	Yr to Yr
	% Ch	Level					
<i>All Data Seasonally Adjusted, Levels in Thousands</i>							
New Single Family Homes Sales	3.7%	555	535	575	555	560	5.5
Northeast	15.8%	44	38	30	37	33	22.2
Midwest	14.8%	70	61	75	69	69	4.5
South	4.3%	290	278	313	294	311	-1.0
West	-4.4%	151	158	157	155	147	16.2
Median Sales Price (\$, NSA)	-1.0%	312,900	316,200	315,900	315,000	312,183	7.5
		Jan-17	Dec-16	Nov-16	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		5.7	5.7	5.2	5.5	5.4	5.3

Source: Bureau of the Census