

# March New Home Sales

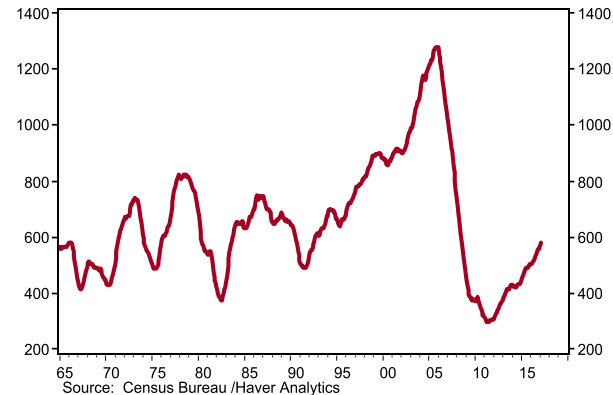
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- New single-family home sales increased 5.8% in March to a 621,000 annual rate, easily beating the consensus expected pace of 584,000. Sales are up 15.6% from a year ago.
- Sales rose in the Northeast, West, and South, but fell in the Midwest.
- The months' supply of new homes (how long it would take to sell the homes in inventory) fell to 5.2 months in March from 5.4 months in February. The decline in the months' supply was entirely due to a faster pace of sales. Inventories rose by 3,000 units in March.
- The median price of new homes sold was \$315,100 in March, up 1.2% from a year ago. The average price of new homes sold was \$388,200, up 5.6% versus last year.

**Implications:** New home sales blew past expectations in March, rising for their third consecutive month to nearly match the post-recovery high-water mark set in July of last year. Sales increased 5.8% in March and are now up 15.6% versus a year ago, demonstrating a rare stability in what is typically a very volatile series month-to-month. Meanwhile, despite a 3,000 increase in unsold new homes, inventories remain low by historical standards (see chart to right) and are not a headwind to future construction. All of the gain in inventories in March was due to homes where construction had yet to start, with the inventory of completed homes remaining unchanged. 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, which is already accelerating. Second, credit standards in the mortgage market are 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 new home 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 housing news this morning, the FHFA Index, which measures prices for homes financed with conforming mortgages, rose 0.8% in February and is up 6.5% from a year ago. In the year ending in February 2016, FHFA prices were up 5.8%. The national Case-Shiller index, which measures home prices, increased 0.4% in February and is up 5.8% from a year ago. Price gains in the past 12 months have been led by Seattle and Portland, with the slowest gains in New York City and Washington. On the manufacturing front, the Richmond Fed index, which measures mid-Atlantic factory sentiment, ticked down to +20 in April from +22 in March, signaling further expansion in the factory sector, but at a slightly slower pace. Solid data all around, which is helping push US equities higher.

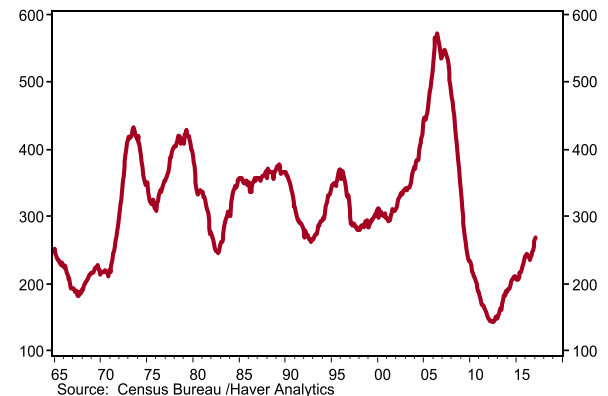
**New 1-Family Houses Sold: United States**

12-month Moving Average SAAR, Thous



**New 1-Family Houses For Sale: United States**

SA, Thous



New Home Sales	Mar-17		Feb-17	Jan-17	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>	5.8%	621	587	585	598	581	15.6
Northeast	25.8%	39	31	41	37	35	21.9
Midwest	-4.5%	84	88	71	81	75	23.5
South	1.6%	323	318	328	323	315	5.9
West	16.7%	175	150	145	157	155	32.6
<b>Median Sales Price (\$, NSA)</b>	7.5%	315,100	293,100	308,000	305,400	311,533	1.2
		Mar-17	Feb-17	Jan-17	3-mo Avg	6-mo Avg	12-mo Avg
<b>Months' Supply at Current Sales Rate (Levels)</b>		5.2	5.4	5.4	5.3	5.3	5.2

Source: Bureau of the Census