

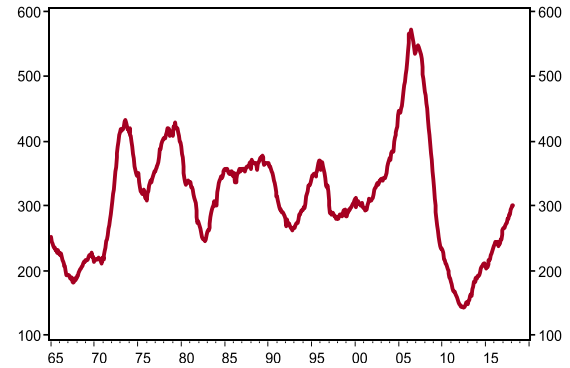
# March New Home Sales

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

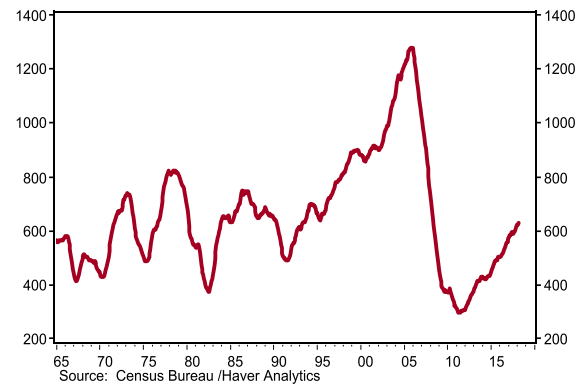
- New single-family home sales increased 4.0% in March to a 694,000 annual rate, easily beating the consensus expected 630,000. Sales are up 8.8% from a year ago.
- Sales rose in the West and South, but fell in the Northeast and Midwest.
- The months' supply of new homes (how long it would take to sell the homes in inventory) fell to 5.2 months in March from 5.4 months in February. The drop was due entirely to a faster sales pace. Inventories remained unchanged in March.
- The median price of new homes sold was \$337,200 in March, up 4.8% from a year ago. The average price of new homes sold was \$369,900, down 3.8% versus last year.

**Implications:** New home sales surprised to the upside in March, beating even the most optimistic forecast by any economics group to post the second highest sales pace since 2007. Sales of new homes rose 4.0% in March, and are now up 8.8% from a year ago. Significant upward revisions to prior months also helped pull the Q1 sales pace into positive territory, now up at a 7.1% annualized rate versus the Q4 2017 average. Note that the gains in new home sales have been made in spite of rising mortgage rates over the past year, which many analysts claimed would derail the housing recovery. Looking forward, prospects remain good for further growth over the next few years, though month-to-month volatility is to be expected. Prior to the end of the housing bubble, sales of new homes were typically about 15% of all home sales. They fell to around 6.5% of sales at the bottom of the housing bust, and now have recovered to 11%. In other words, there's plenty of room for growth in new home sales, which means room for home building to grow as well. At first glance, inventories sitting at a post-crisis high would seem to refute this. However, completed units are now at their lowest portion of inventories since recording began back in 1999. And jobs continuing to grow at a healthy pace, wages accelerating, and the tax cut taking effect all support optimism about home building in the years ahead. Although the new tax law trims back the mortgage interest deduction for some high-end homes, the value of the mortgage interest deduction was affected more broadly by the marginal tax rate reductions in the 1980s, during which housing did well. Yes, the new tax law also trims back state and local tax deductions, including the property tax, but we think that's going to affect where people live, not overall home building nationwide. The US economy is looking up, and home sales will continue to trend higher. In other housing news this morning, the national Case-Shiller index reported home prices were up 0.5% in February and are up 6.3% versus a year ago, an acceleration from the 5.6% gain in the twelve months ending February 2017. In the last year, price gains were led by Seattle and Las Vegas. Meanwhile, the FHFA index, which measures prices for homes financed by conforming mortgages, increased 0.6% in February and is up 7.2% versus a year ago, an acceleration from the 6.7% gain in the twelve months ending February 2017. Finally, on the manufacturing front, the Richmond Fed index, a measure of mid-Atlantic factory sentiment, fell unexpectedly to -3 in April from +15 in March, its first negative reading since late 2016. Look for a rebound into positive territory in the months ahead.

**New 1-Family Houses For Sale: United States**  
SA, Thous



**New 1-Family Houses Sold: United States**  
12-month Moving Average SAAR, Thous



New Home Sales	Mar-18		Feb-18	Jan-18	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>4.0%</b>	<b>694</b>	667	644	668	663	8.8
<b>Northeast</b>	<b>-54.8%</b>	<b>19</b>	42	35	32	35	-52.5
<b>Midwest</b>	<b>-2.4%</b>	<b>82</b>	84	83	83	77	-2.4
<b>South</b>	<b>0.8%</b>	<b>371</b>	368	329	356	358	10.4
<b>West</b>	<b>28.3%</b>	<b>222</b>	173	197	197	192	24.7
<b>Median Sales Price (\$, NSA)</b>	<b>3.5%</b>	<b>337,200</b>	325,800	326,900	329,967	332,683	4.8
		<b>Mar-18</b>	<b>Feb-18</b>	<b>Jan-18</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>5.2</b>	5.4	5.5	5.4	5.3	5.4

Source: Bureau of the Census