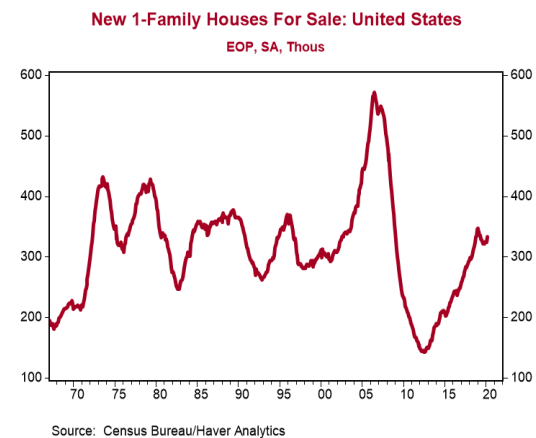
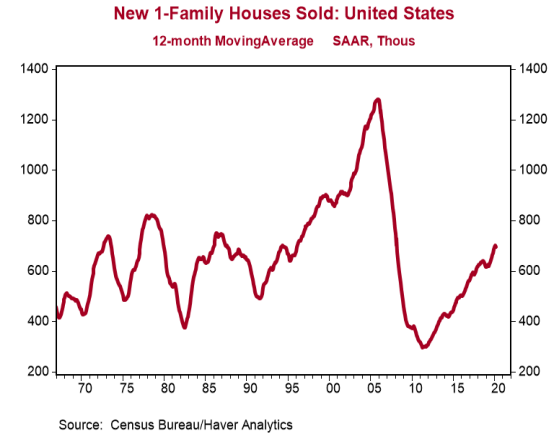


March New Home Sales

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

- New single-family home sales declined 15.4% in March to a 627,000 annual rate, below the consensus expected 644,000. Sales are down 9.5% from a year ago.
- Sales fell in all major regions.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) rose to 6.4 months in March from 5.2 months in February. The increase was due to both the slower pace of sales and an increase in inventories of 9,000 units.
- The median price of new homes sold was \$321,400 in March, up 3.5% from a year ago. The average price of new homes sold was \$375,300, up 0.7% versus last year.



Implications: Forget about new home sales for a minute. Workers filed 4.43 million new claims for unemployment insurance last week, continuing the trend of catastrophically high readings we've seen since government shutdowns of the economy to fight the Coronavirus began a little over a month ago. The (semi-)good news is that initial claims fell 810,000 from the week prior and it looks like we saw the peak three weeks ago at 6.87 million. Continuing claims, data which lags initial claims by one week, hit a record high of 15.98 million and are likely to rise again in next week's report. Plugging these figures into our models suggests the unemployment rate for April will be in the vicinity of 18.0%. Turning back to the housing market, new home sales posted the largest monthly decline since 2013 as the effects of shutdowns and social distancing began to hit activity. We expect sales to continue to weaken in April as well as buyers stay home, followed by an eventual rebound as the case curve continues to bend and strict public health measures are gradually rolled back. One piece of good news for potential buyers is that Fed liquidity measures have helped reverse the spike in mortgage rates that happened in aftermath of the US virus outbreak, boosting affordability. The inventory of homes for sale rose by 9,000 units in March, probably the result of potential buyers backing out of planned purchases as the economic fallout began. However, there is no significant overhang of finished new homes waiting for buyers. In fact, all the increase in unsold new homes in the past year has been for homes where construction has yet to start. The inventory of unsold homes that are either under construction or finished is still down from a year ago. Given the downward pressure that lockdowns and social distancing are having on construction, we do not expect an oversupply of housing anytime soon. In other recent housing news, the FHFA index, which measures prices for homes financed by conforming mortgages, increased 0.7% in February and is up 5.7% from a year ago. Finally, on the manufacturing front, the Kansas City Fed index fell to -30 in April from -17 in March, hitting its lowest level on record going back to 2001. This mirrors other regional Fed surveys, which are signaling continued pain for the factory sector.

New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Mar-20		Feb-20	Jan-20	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
New Single Family Homes Sales	-15.4%	627	741	777	715	713	-9.5
Northeast	-41.5%	24	41	35	33	32	-4.0
Midwest	-8.1%	79	86	92	86	82	-9.2
South	-0.8%	385	388	393	389	395	1.3
West	-38.5%	139	226	257	207	203	-30.8
Median Sales Price (\$, NSA)	-2.6%	321,400	330,100	328,900	326,800	326,717	3.5
		Mar-20	Feb-20	Jan-20	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		6.4	5.2	5.0	5.5	5.5	5.7

Source: Bureau of the Census