

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

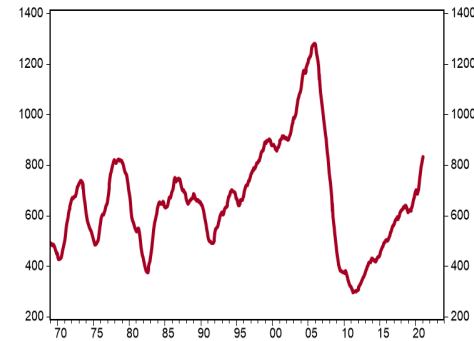
January New Home Sales

- New single-family home sales increased 4.3% in January to a 0.923 million annual rate, easily beating the consensus expected 0.856 million. Sales are up 19.3% from a year ago.
- Sales in January rose in the Midwest, West, and South, but fell in the Northeast.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) fell to 4.0 in January from 4.1 in December. The drop was entirely due to a faster pace of sales. Inventories rose 8,000 units in January.
- The median price of new homes sold was \$346,400 in January, up 5.3% from a year ago. The average price of new homes sold was \$408,800, up 6.5% versus last year.

Implications: New home sales surprised to the upside in January, rising for a second consecutive month following the slowdown seen late last year. Sales are now up 19.3% from a year ago, illustrating the resiliency of the housing market. A shift in buyer preferences is a big part of that story, with pandemic restrictions and significant changes in corporate work-from-home policies giving workers both the urgency and ability to seek out more spacious options in the suburbs. Moreover, there seems to be significant regional factors at play, with sales in the South up 40.4% over the past year while both the Northeast and West have posted declines. It looks like differences in lockdown policies led some to vote with their feet. That said, even for those looking to move the lack of finished new homes waiting for buyers remains a headwind for even faster sales growth. In the past year, the only portion of new homes inventory that has increased comes from homes where construction has yet to start. Unsold homes that are either under construction or finished continue to see inventories decline from a year ago levels. How significant are these movements? While the number of housing starts for single-family homes is up 17.5% from a year ago, the inventory of completed new homes available for sale is down a massive 44.7% over the same period, illustrating just how strong demand was in 2020. The good news is that there are signs builders are responding, with the number of single-family homes currently under construction and permits issued for future construction sitting at the highest levels since 2007 and 2006, respectively. And as more homes become available, we expect demand will remain strong and push sales higher in 2021. Why? First, affordability; near zero interest rates from the Federal Reserve have helped keep 30-year fixed mortgage near record lows. Second, even as pandemic restrictions are removed and life returns to “normal,” recent changes towards work-from-home policies are unlikely to fully reverse, and buyers who have their minds set on a single-family home will follow through as more options become available. In recent housing news, the Case-Shiller national home index increased 1.3% in December and climbed 10.4% in 2020, the largest calendar-year increase since 2013. Price gains in 2020 were led by Phoenix, Seattle, and San Diego. The slowest price gains were in Las Vegas, ravaged by temporary weakness in the travel and gaming industries, as well as Chicago. The FHFA index, which measures prices for homes financed by conforming mortgages, increased 1.1% in December and was up 11.4% in 2020, the largest increase for any calendar year on record (going back to 1991). On the manufacturing front, the Richmond Fed index, a measure of mid-Atlantic manufacturing sentiment, remained unchanged in February at a healthy reading of 14, signaling solid growth in manufacturing for the month.

New 1-Family Houses Sold: United States

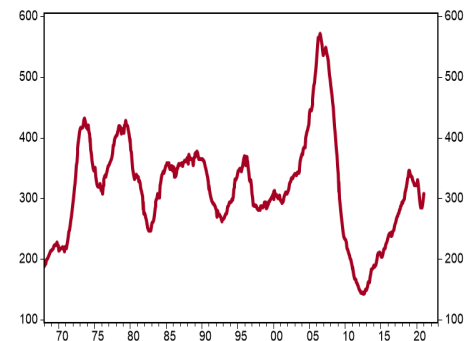
12-month Moving Average SAAR, Thous



Source: Census Bureau/Haver Analytics

New 1-Family Houses For Sale: United States

EOP, SA, Thous



Source: Census Bureau/Haver Analytics

New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Jan-21		Dec-20	Nov-20	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
New Single Family Homes Sales	4.3%	923	885	839	882	926	19.3
Northeast	-13.9%	31	36	31	33	37	-8.8
Midwest	12.6%	107	95	75	92	97	10.3
South	3.0%	549	533	514	532	545	40.4
West	6.8%	236	221	219	225	248	-6.3
Median Sales Price (\$, NSA)	-1.9%	346,400	353,100	349,800	349,767	344,350	5.3
		Jan-21	Dec-20	Nov-20	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		4.0	4.1	4.1	4.1	3.8	4.6

Source: Bureau of the Census