

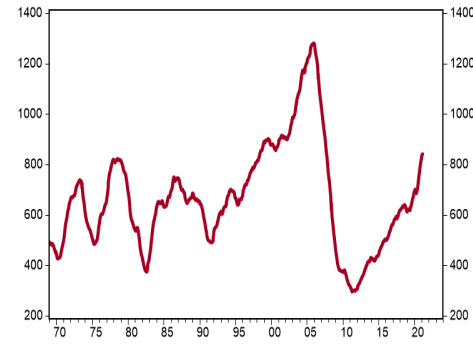
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February New Home Sales

- New single-family home sales declined 18.2% in February to a 0.775 million annual rate, well below the consensus expected 0.870 million. Sales are up 8.2% from a year ago.
- Sales in February fell in all the major regions.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) rose to 4.8 in February from 3.8 in January. The gain was due to both a slower pace of sales and an increase in inventories of 8,000 units.
- The median price of new homes sold was \$349,400 in February, up 5.3% from a year ago. The average price of new homes sold was \$416,000, up 7.7% versus last year.

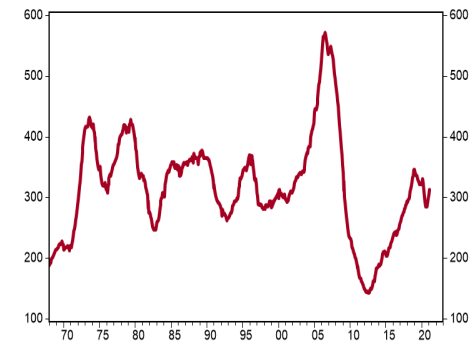
Implications: New home sales plummeted in February, posting the largest monthly decline since 2013. However, sales are still up a healthy 8.2% from a year ago, and that number is set to soar in the months ahead as the comparison months from 2020 begin to include the huge drop in sales early in the pandemic. Keep in mind that sales of new homes are counted when the contracts are signed rather than being counted at closing like existing home sales. This means they are a timelier indicator of the housing market, so it's not surprising that last month's polar vortex had a larger impact on February's new home sales report (-18.2%) than it did on existing home sales yesterday (-6.6%). Look for a rebound in new home sales in March while existing home sales continue to show weakness. That said, it wasn't all just severe winter weather that impacted new home sales in February. Affordability has been declining as well, with 30-year fixed mortgage rates having risen roughly 40 basis points in February alone. It looks like widespread vaccine distribution, the reopening of the US economy, and rising inflation expectations have all begun to show up in interest rates. When paired with rising home prices, this represents a headwind for sales going forward. New home sales are also suffering from a lack of finished homes waiting for buyers as well. In the past year, the only portion of the new homes inventory that has increased are homes where construction has yet to start. Meanwhile, the inventory of completed new homes available for sale is down a massive 48.1% over the past year, illustrating just how strong demand was in 2020. The good news is that builders are responding to this inventory shortage, with the number of single-family homes currently under construction at the highest levels since 2007. As more homes become available, we expect demand will remain strong and push sales higher in 2021 for a couple reasons. First, there has been a big shift in buyer preferences over the past year, 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. Even as pandemic restrictions are removed and life returns to "normal," recent changes toward 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. Second, Millennials are now the largest living generation and have begun to enter the housing market after years of delays, making up over 50% of mortgage originations in 2020 for the first time. Census Bureau projections show that the population of people ages 30-49 is set to grow significantly through 2039, which should bolster housing demand for the foreseeable future as this is a key homebuying demographic. In other news this morning, the Richmond Fed index, a measure of mid-Atlantic manufacturing sentiment, rose to +17 in March from a reading of +14 in February, 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	Feb-21		Jan-21	Dec-20	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
<i>All Data Seasonally Adjusted, Levels in Thousands</i>							
New Single Family Homes Sales	-18.2%	775	948	919	881	905	8.2
Northeast	-11.6%	38	43	39	40	38	-11.6
Midwest	-37.5%	85	136	121	114	107	4.9
South	-14.7%	458	537	534	510	523	20.2
West	-16.4%	194	232	225	217	236	-8.1
Median Sales Price (\$, NSA)	-1.1%	349,400	353,200	356,600	353,067	350,217	5.3
		Feb-21	Jan-21	Dec-20	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		4.8	3.8	3.9	4.2	4.0	4.5

Source: Bureau of the Census