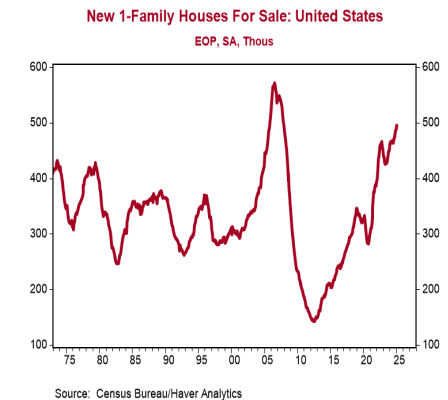
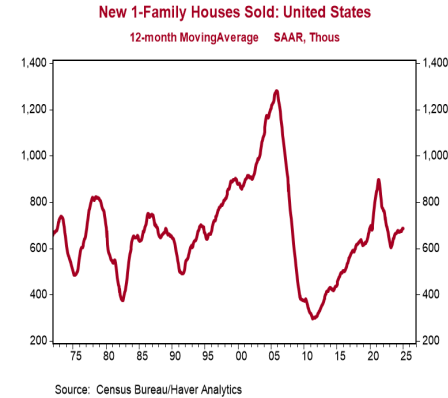


January New Home Sales

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- New single-family home sales declined 10.5% in January to a 0.657 million annual rate, lagging the consensus expected 0.680 million. Sales are down 1.1% from a year ago.
- Sales in January fell in the Northeast, Midwest, and South, but rose in the West.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) increased to 9.0 in January. The gain was due to both a slower pace of sales and a 7,000 unit increase in inventories.
- The median price of new homes sold was \$446,300 in January, up 3.7% from a year ago. The average price of new homes sold was \$510,000, down 3.4% versus last year.

Implications: Following two months of strong gains, new home sales came in weaker than expected in January. Part of the story was probably weather, with sales activity in the South (the largest region) falling 14.8% after some parts of the region experienced record low temperatures and record high snowfalls. Looking at the big picture, buyers purchased 657,000 homes at an annual rate, well below the highs of the pandemic and essentially unchanged from 2019. Though we expect a modest upward trend in sales in 2025, the housing market continues to face challenges. While thirty-year fixed mortgage rates were falling in the lead up to the initial Fed rate cut announcement in September 2024, that has reversed with rates back above 7%. One piece of good news for potential buyers is that, even though prices are up in the past year, the median sales price of new homes is down 3.0% from the peak in October 2022. However, the Census Bureau reports that from Q3 2022 to Q4 2024 (the most recent data available) the median square footage for new single-family homes built fell 3.4%. So, it looks like the drop in median prices is due to the mix of homes on the market including more small properties not a lower price per square foot. Supply has also put more downward pressure on median prices for new homes than existing homes. The supply of completed single-family homes is up over 270% versus the bottom in 2022. This contrasts with the market for existing homes which continues to struggle with an inventory problem, often due to the difficulty of convincing current homeowners to give up the low fixed-rate mortgages they locked-in during the pandemic. While the future cost of financing remains a question, lower priced options and an abundance of inventories are giving potential buyers a wider array of options will help fuel new home sales in 2025. In other recent housing news, the national Case-Shiller index rose 0.5% in December and is up 3.9% from a year ago. Meanwhile, the FHFA index rose 0.4% in December and is up 4.7% from a year ago. We also got data on the M2 measure of the money supply yesterday, which grew a modest 0.1% in January and is up 3.9% from a year ago. With headline inflation now back at 3.0%, the Fed must be careful with any rate cuts to make sure M2 doesn't surge again. Look for the Fed to hold the line against rate cuts for the time being unless the economy takes a sudden turn for the worse. Finally, on the manufacturing front, the Richmond Fed index, a measure of mid-Atlantic factory activity, rose to +6 in February after a -4 reading in January.



New Home Sales	Jan-25		Dec-24	Nov-24	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	-10.5%	657	734	679	690	685	-1.1
Northeast	-20.0%	28	35	26	30	30	-48.1
Midwest	-16.7%	70	84	89	81	79	-13.6
South	-14.8%	392	460	435	429	424	6.8
West	7.7%	167	155	129	150	152	3.1
Median Sales Price (\$, NSA)	7.5%	446,300	415,000	396,400	419,233	418,483	3.7
		Jan-25	Dec-24	Nov-24	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		9.0	8.0	8.6	8.5	8.5	8.3

Source: Bureau of the Census