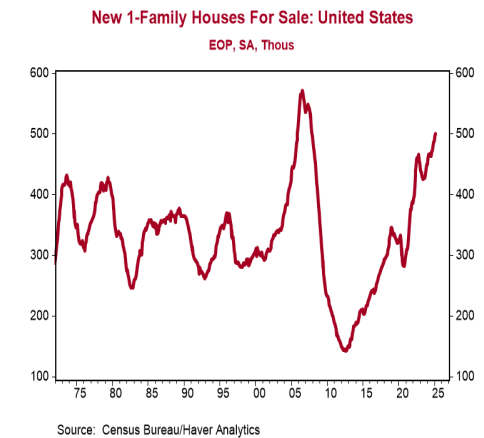
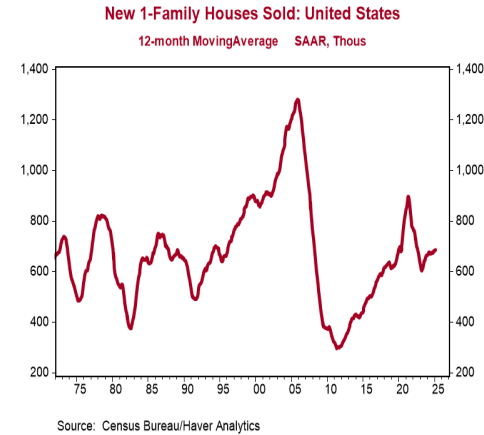


# February New Home Sales

**Bryce Gill** – Economist  
**Brian S. Wesbury** – Chief Economist  
**Robert Stein, CFA** – Dep. Chief Economist

- New single-family home sales increased 1.8% in February to a 0.676 million annual rate, narrowly lagging the consensus expected 0.680 million. Sales are up 5.1% from a year ago.
- Sales in February rose in the Midwest and South but fell in the Northeast and West.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) declined to 8.9 in February. The drop was entirely due to the faster pace of sales. Inventories rose by 4,000 units in February.
- The median price of new homes sold was \$414,500 in February, down 1.5% from a year ago. The average price of new homes sold was \$487,100, down 4.4% versus last year.

**Implications:** New home sales posted a modest gain in February, rebounding from their drop in January. Looking at the big picture, buyers purchased 676,000 homes at an annual rate, well below the highs of the pandemic and essentially unchanged from 2019. Moreover, the rebound in homes sales in February did not fully offset the weather, and fire, related weakness in January, and sales were still lower than their pace in the last quarter of 2024. Though we expect a modest upward trend in sales in 2025, the housing market continues to face challenges. The biggest (and most obvious) is financing costs. The good news is that thirty-year fixed mortgage rates have come down recently, falling below 7%. However, that is still above where mortgage rates were when the Fed started cutting interest rates in September of last year. Further, the Fed has had to pause their rate cuts due to sticky inflation, meaning the housing market is on its own for the time being. One piece of good news for potential buyers is that median sales prices are down 1.5% in the past year, and down 10% from the peak in October 2022. 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 at least part of the drop in median prices is due to a lower price per square foot, along with the mix of homes on the market including smaller properties. 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 280% 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 will help fuel new home sales in 2025. In other recent housing news, the national Case-Shiller index rose 0.6% in January and is up 4.1% from a year ago. Meanwhile, the FHFA index rose 0.2% in January and is up 4.8% from a year ago. Finally, on the manufacturing front, the Richmond Fed index, a measure of mid-Atlantic factory activity, fell to -4 in March from a reading of +6 in February.



New Home Sales	Feb-25		Jan-25	Dec-24	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>	1.8%	676	664	713	684	680	5.1
<b>Northeast</b>	-21.4%	22	28	36	29	31	-48.8
<b>Midwest</b>	20.6%	76	63	84	74	77	2.7
<b>South</b>	6.6%	438	411	438	429	424	19.0
<b>West</b>	-13.6%	140	162	155	152	148	-11.4
<b>Median Sales Price (\$, NSA)</b>	-3.0%	414,500	427,400	416,900	419,600	417,300	-1.5
		<b>Feb-25</b>	<b>Jan-25</b>	<b>Dec-24</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>		8.9	9.0	8.2	8.7	8.6	8.4

Source: Bureau of the Census