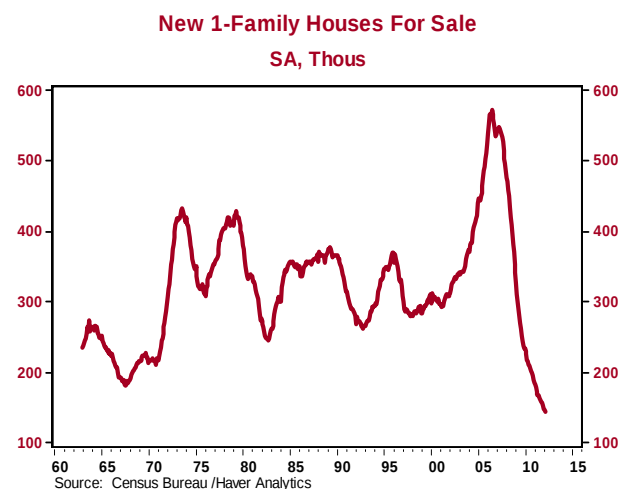
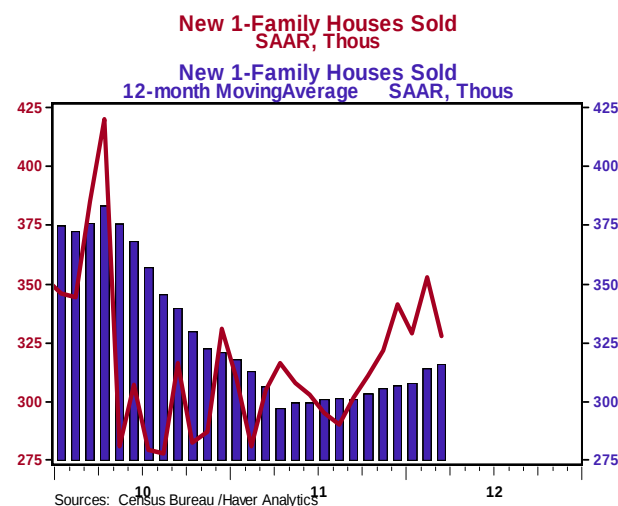


March New Home Sales

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- New single-family home sales declined 7.1% in March, but, at a 328,000 annual rate, still beat the consensus expected pace of 325,000.
- Sales were down in the West and Midwest, but up in the South and Northeast.
- The months' supply of new homes (how long it would take to sell the homes in inventory) rose to 5.3. The rise in the months' supply was all due to a slower selling pace. Inventories declined to a new record low (dating back to 1963).
- The median price of new homes sold was \$234,500 in March, up 6.3% from a year ago. The average price of new homes sold was \$291,200, up 11.7% versus last year.

Implications: Please ignore the headline of a 7.1% drop in new home sales in March. It's very misleading. The reason for the drop is that February sales were revised up substantially, to a 353,000 annual rate from a prior estimate of only 313,000. In this situation, it's more important to look at the level of sales in March (328,000 annualized), which narrowly beat consensus expectations (325,000) and is up 7.5% from a year ago. The bad news for builders of single-family homes is not completely over. Now that banks can move forward with foreclosures more quickly, a large inventory of bargain-priced existing homes could temporarily attract some buyers away from the new home market. But, the road ahead looks better than it's looked in years. The upward trend in home sales is only one piece of good news for builders. Another is that the total inventory of new homes is at a new record low (see lower chart to right). Notably, however, the inventory of new homes where the builder has yet to break ground continues to climb, showing builders are getting ready for what they believe will be more buyers. We think they're right. In fact, a lack of inventories is probably holding back sales. The other piece of good news for builders is that new home prices are climbing, with the median price of a new home up 6.3% from a year ago and average prices up 11.7%. In other news on home prices, the FHFA index, a measure for homes financed by conforming mortgages, was up 0.3% in February and is up 0.4% from a year ago, the largest gain since 2006-07. The Case-Shiller index, which measures homes in the 20 largest metro areas around the country, increased 0.2% in February, the first gain in ten months, but is still down 3.5% from a year ago. Twelve of 20 metro areas had price increases, led by Phoenix. Atlanta had the largest decline. We expect the Case-Shiller index to be up slightly for 2012. In manufacturing news this morning, the Richmond Fed index, a measure of factory activity in the mid-Atlantic, increased to +14 in April from +7 in March.



New Home Sales	Mar-12		Feb-12	Jan-12	3-mo	6-mo	Yr to Yr
All Data Seasonally Adjusted, Levels in Thousands	% Ch	Level			moving avg	moving avg	% Change
New Single Family Homes Sales	-7.1%	328	353	329	337	331	7.5
Northeast	7.7%	28	26	23	26	22	12.0
Midwest	-20.0%	36	45	42	41	47	-7.7
South	3.1%	199	193	191	194	185	16.4
West	-27.0%	65	89	73	76	78	-7.1
Median Sales Price (\$, NSA)	-1.0%	234,500	236,900	218,000	229,800	224,517	6.3
		Mar-12	Feb-12	Jan-12	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		5.3	5.0	5.4	5.2	5.5	6.0

Source: Bureau of the Census

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