Yipes! Existing home sales fell in seven of the past eight months and are now 7.5% below a year ago; new home sales dropped 14.5% in March.

Some look at this as a sign of fundamental, and deep, economic problems. But unemployment claims are trending down, manufacturing production and retail sales are rebounding from winter weakness, and Friday’s employment report should show continued solid improvement.

It’s also important to recognize that existing homes sales, just like used car sales, do not count in GDP. Only new home sales, the construction of new homes count for GDP. As a result, we take the recent weakness in new home sales most seriously. However, new home sales data are notoriously volatile; are often revised substantially, and, because of brutal winter weather, the data are somewhat suspect.

Some complain about higher interest rates slowing sales and we have heard people use student loans as a reason for why buyers can’t qualify for loans, financial obligation burdens (which include student loans and the impact of interest rates) remain at lows not seen since the 1980s. If anything, the sharp appreciation in home prices may have caused some sticker shock. Builders may simply need to slow price hikes to let buyers adjust.

Also, it is very important to remember that new home sales do not include sales of multi-family units. So, when a baby boomer moves to the city after the kids leave home, and buys a newly constructed condo, it adds to GDP, but is not counted in monthly home sales data. (Why, we don’t know.)

In the past three years, construction of multi-family units is up 82%, while single-family construction is up 48%. (Think so-called “smart growth.”) So, if Americans are buying or renting a larger share of multi-family units, it’s natural for new home sales to be on the soft side. One thing to remember is that mowing your own lawn does not add to GDP, but paying someone else to do it, does. This will boost services spending in the years ahead.

What would concern us is if builders were churning out lots of single-family homes that weren’t getting sold. But inventories of unsold new homes are low when compared to history and the ratio of new home sales to single-family housing starts has been 70% in the past 12 months – versus a 30-year average of 68%. (Teardowns, and building, on land already owned by the future occupant are not counted in sales.)

In other words, soft new home sales reflect the general shift toward the multi-family sector, among buyers and renters alike. This doesn’t matter much for the size of the economy. Nationwide, multi-family units, are similar in value to 1-family homes, so the “mix” of construction doesn’t have a noticeable effect. In other words, fears about housing leading to a recession are overblown.