

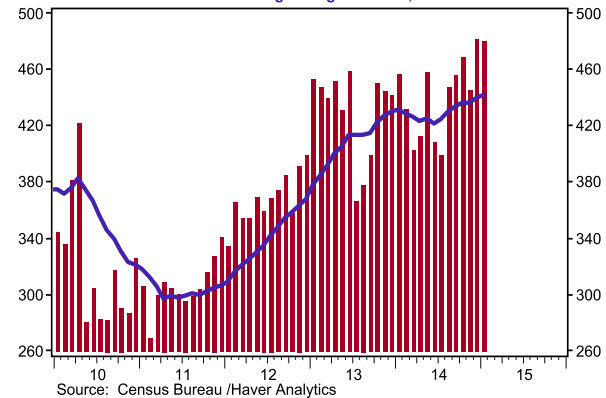
January New Home Sales

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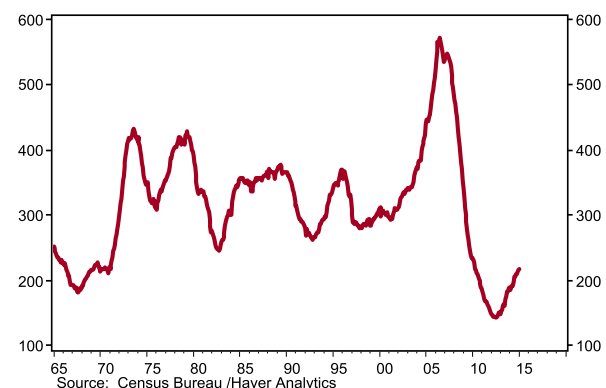
- New single-family home sales declined 0.2% in January to a 481,000 annual rate, coming in above the consensus expected pace of 470,000. Sales are up 5.3% from a year ago.
- Sales declined in the Northeast and West, but rose in the Midwest and South.
- The months' supply of new homes (how long it would take to sell the homes in inventory) remained unchanged at 5.4 months in January. Inventories rose by 3,000 units.
- The median price of new homes sold was \$294,300 in January, up 9.1% from a year ago. The average price of new homes sold was \$348,300, up 3.3% versus last year.

Implications: Yes, new home sales slipped 0.2% last month from December, but, at 481,000, January sales were still at the second fastest annualized pace since 2008. We view this as impressive, especially when we take into account the fact that new home sales in the Northeast fell 51.6% to a 15,000 annual rate, the lowest level for any month on record (since 1973) – blame snowstorms. Nonetheless, overall sales are up 5.3% from a year ago. Forgive us for sensing some good news in this report. New home sales have been depressed for a few reasons. First, a larger share of the population is renting. Second, buyers have shifted slightly from single-family homes, which are counted in the new home sales data, to multi-family homes (think condos in cities), which are not counted in this report. Third, although we may be starting to see a thaw, financing is still more difficult than it has been in the past. Each of these is beginning to change. Recently, single-family housing starts have grown faster than multi-family starts, suggesting builders (the quintessential entrepreneur) see a larger appetite for homeownership and single-family home purchases. The inventory of new single-family homes rose 3,000 in January, but still remains very low, as the chart to the right shows. As a result, homebuilders still have plenty of room to increase both construction and inventories. Moreover, existing homes sales data show fewer all-cash buyers and more financed purchases. The median sales price of a new home in January was up 9.1% from a year ago. In other recent housing news, the Case-Shiller Index shows home prices up 0.7% nationwide in December, bringing the gain for 2014 to 4.6%. Home prices increased in 2014 for all of the 20 major metro area tracked by the index, with gains led by San Francisco, Miami, and Denver. The smallest increase was in financially-challenged Chicago. The Case-Shiller price index shows slower increases than earlier in the housing recovery, for example, the index showed home prices were up 10.8% in 2014. This makes sense as national home prices are now at historical norms relative to rents. We expect continued increases in home prices in 2015, but at a slightly slower pace than in 2014. In other recent news, the Richmond Fed index, which measures manufacturing sentiment in the mid-Atlantic, declined to zero in February from +6 in January. We're guessing the drop is largely due to the unusually harsh weather in that region this month.

New 1-Family Houses Sold
 SAAR, Thous
New 1-Family Houses Sold
 12-month Moving Average SAAR, Thous



New 1-Family Houses For Sale: United States
 SA, Thous



New Home Sales	Jan-15		Dec-14	Nov-14	3-mo	6-mo	Yr to Yr
	% Ch	Level					
<i>All Data Seasonally Adjusted, Levels in Thousands</i>					moving avg	moving avg	% Change
New Single Family Homes Sales	-0.2%	481	482	446	470	464	5.3
Northeast	-51.6%	15	31	28	25	27	-50.0
Midwest	19.2%	62	52	59	58	58	21.6
South	2.2%	278	272	232	261	257	8.6
West	-0.8%	126	127	127	127	122	5.0
Median Sales Price (\$, NSA)	-2.6%	294,300	302,100	298,300	298,233	291,217	9.1
		Jan-15	Dec-14	Nov-14	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		5.4	5.4	5.7	5.5	5.5	5.5

Source: Bureau of the Census