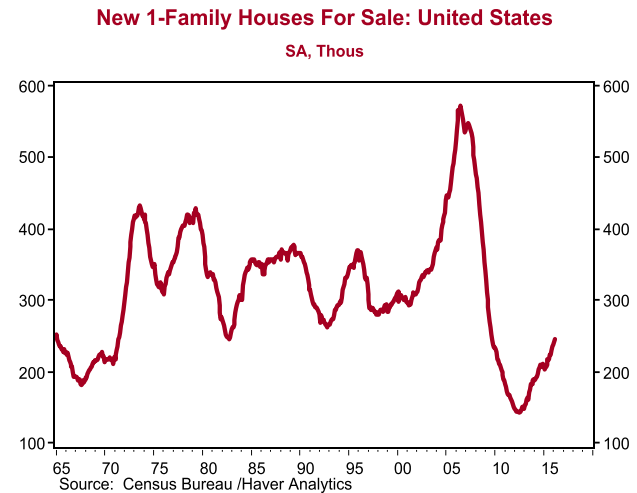
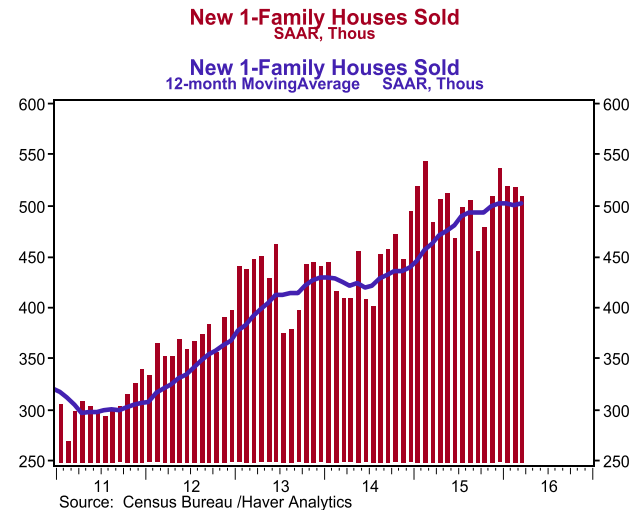


# March New Home Sales

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- New single-family home sales declined 1.5% in March to a 511,000 annual rate, coming in below the consensus expected pace of 520,000. Sales are up 5.4% from a year ago.
- Sales fell in the West, but rose in the Midwest and South, and remained unchanged in the Northeast.
- The months' supply of new homes (how long it would take to sell the homes in inventory) rose to 5.8 months in March. The months' supply increased due to a slower sales pace as well as a growth in inventories of 5,000 units.
- The median price of new homes sold was \$288,000 in March, down 1.8% from a year ago. The average price of new homes sold was \$356,200, up 1.0% versus last year.

**Implications:** New home sales dropped slightly in March, posting their third consecutive decline, and coming in below consensus expectations. However, in spite of the 1.5% slip in March to a 511,000 annualized pace, sales are still up 5.4% versus last year and we expect the general upward trend to restart very soon. Home sales data are very volatile from month to month, which is why it's important to look at the trend, which continues to be positive. We think there are a couple broader reasons for this. First, employment gains and the beginning of a thaw in mortgage financing are starting to have a positive effect. Second, wage growth seems to be picking up, putting the prospect of buying a home in reach for more people. Despite this, sales remain low relative to where they should be. Why? First, the homeownership rate remains depressed as 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. We think this will change gradually over the next few years and new home sales will continue on an upward trend. Although the inventory of new homes rose 5,000 in March, it still remains very low by historical standards (see chart to right). Moreover, the gain in inventories has been led by homes where construction is still in progress, or has yet to begin. As a result, homebuilders still have plenty of room to increase both construction and inventories. Although the median price of a new home is down 1.8% from a year ago, that reflects a shift in the "mix" of homes sold toward lower priced regions or smaller homes, not an outright decline in home prices. Most data show prices rising, including the FHFA index, which measures prices for homes financed with conforming mortgages, which is up 5.6% in the past year. The Case-Shiller index is up 5.4% in the past year as well. Last week, new claims for unemployment insurance declined 6,000 to 247,000, the lowest since the 1973. Continuing claims fell 39,000 to 2.137 million. These figures suggest robust job growth in April.



New Home Sales	Mar-16		Feb-16	Jan-16	3-mo	6-mo	Yr to Yr
	% Ch	Level			moving avg	moving avg	% Change
<i>All Data Seasonally Adjusted, Levels in Thousands</i>							
<b>New Single Family Homes Sales</b>	-1.5%	511	519	521	517	513	5.4
<b>Northeast</b>	0.0%	26	26	35	29	29	30.0
<b>Midwest</b>	18.5%	64	54	68	62	63	10.3
<b>South</b>	5.0%	314	299	303	305	291	15.4
<b>West</b>	-23.6%	107	140	115	121	129	-20.7
<b>Median Sales Price (\$, NSA)</b>	-3.2%	288,000	297,400	282,600	289,333	297,117	-1.8
		<b>Mar-16</b>	<b>Feb-16</b>	<b>Jan-16</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>		5.8	5.6	5.5	5.6	5.5	5.4

Source: Bureau of the Census

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