

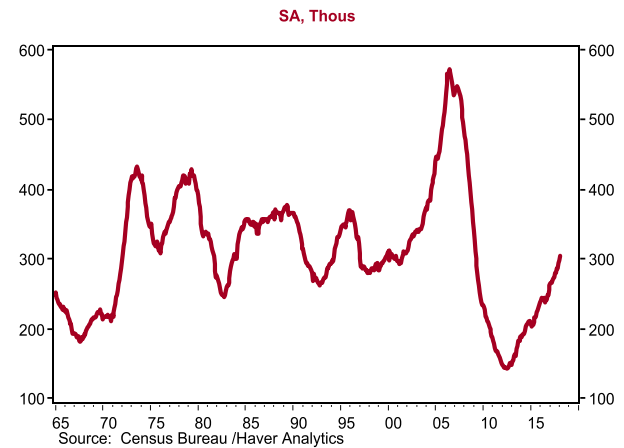
# February New Home Sales

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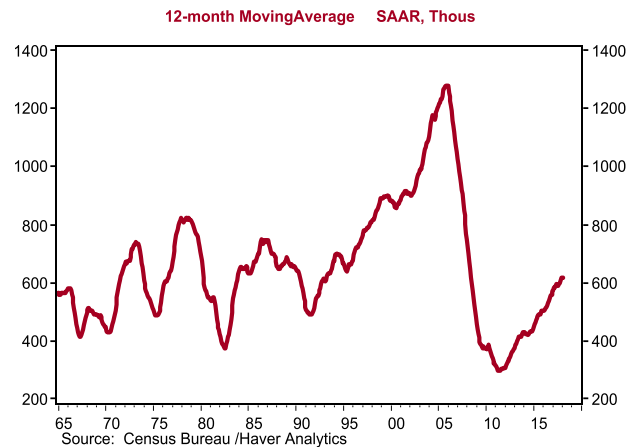
- New single-family home sales declined 0.6% in February to a 618,000 annual rate, just below the consensus expected 620,000. Sales are up 0.5% from a year ago.
- Sales fell in West and Midwest, but rose in the Northeast and South.
- The months' supply of new homes (how long it would take to sell the homes in inventory) rose to 5.9 months in February from 5.8 months in January. The gain was due to both a slower sales pace and an increase in inventories.
- The median price of new homes sold was \$326,800 in February, up 9.7% from a year ago. The average price of new homes sold was \$376,700, up 1.7% versus last year.

**Implications:** New home sales continued to struggle in February, posting a third consecutive drop, though at a more moderate pace. Sales of new homes fell 0.6% in February, but are still up 0.5% from a year ago. That being said, a couple details in today's report signal that new home sales may be turning a corner. First, sales we're down slightly in February only because January's sales were revised up from 593,000 to 622,000. Versus the original January reading, sales in February rose by 4.2%. Second, the Southern region, which has been one of the biggest sources of weakness over the past couple of months as sales dipped after the post-hurricane surge late last year, ticked positive for the first time since November. Going forward it's important to remember that new home sales are volatile from month to month, but prospects remain good for further growth over the next few years. Sales of new homes were typically about 15% of all home sales prior to the end of the housing bubble in the previous decade. They fell to about 6.5% of sales at the bottom of the housing bust and now have recovered to about 10%. And if there's plenty of room for growth in new home sales, that means plenty of room for home building to grow as well. At first glance, inventories sitting at a post-crisis high would seem to refute this. However, completed units are now at their lowest portion of overall inventories since records started being kept in 1999, which means builders still have plenty of room to expand. With jobs continuing to grow at a healthy pace, wages accelerating, and a tax cut taking effect, we maintain our optimism about home building in the years ahead. Although the new tax law trims back the mortgage interest deduction for some high-end homes, the value of the mortgage interest deduction was affected more broadly by the marginal tax rate reductions in the 1980s, during which housing did well. Yes, the new tax law also trims back state and local tax deductions, including the property tax, but we think that's going to affect where people live, not overall home building nationwide. The US economy is looking up and home sales will rebound in the near future. In other recent housing news, the FHFA index, which measures prices for homes financed by conforming mortgages, increased 0.8% in January and is up 7.3% versus a year ago, an acceleration from the 6.1% gain in the twelve months ending January 2017.

**New 1-Family Houses For Sale: United States**



**New 1-Family Houses Sold: United States**



New Home Sales	Feb-18		Jan-18	Dec-17	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>	<b>-0.6%</b>	<b>618</b>	622	653	631	643	0.5
<b>Northeast</b>	<b>19.4%</b>	<b>37</b>	31	34	34	37	8.8
<b>Midwest</b>	<b>-3.7%</b>	<b>79</b>	82	66	76	75	-8.1
<b>South</b>	<b>9.0%</b>	<b>338</b>	310	355	334	350	0.6
<b>West</b>	<b>-17.6%</b>	<b>164</b>	199	198	187	182	3.1
<b>Median Sales Price (\$, NSA)</b>	<b>0.6%</b>	<b>326,800</b>	324,900	340,100	330,600	331,033	9.7
		<b>Feb-18</b>	<b>Jan-18</b>	<b>Dec-17</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>		<b>5.9</b>	5.8	5.4	5.7	5.5	5.5

Source: Bureau of the Census