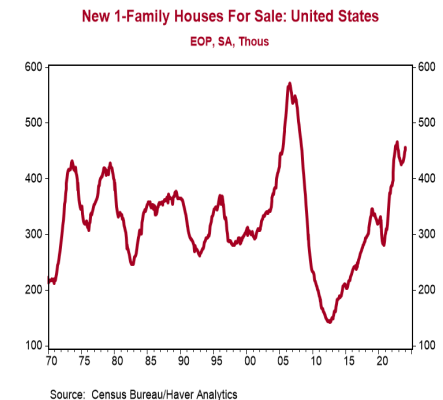
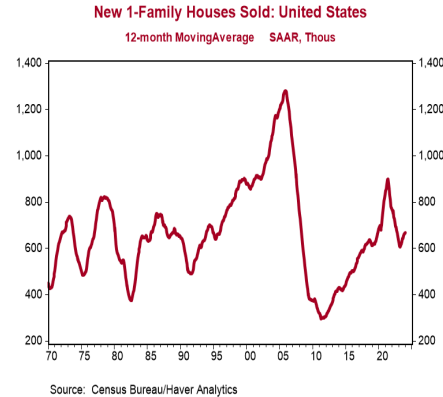


January New Home Sales

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- New single-family home sales increased 1.5% in January to a 0.661 million annual rate, below the consensus expected 0.684 million. Sales are up 1.8% from a year ago.
- Sales in January rose in the Northeast, West and Midwest, but fell in the South.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) remained unchanged at 8.3 in January. A faster pace of sales offset a 4,000 unit increase in inventory in January.
- The median price of new homes sold was \$420,700 in January, down 2.6% from a year ago. The average price of new homes sold was \$534,300, up 7.8% versus last year.



Implications: New home sales started 2024 on a positive note, rising for a second month in a row in January, though data from previous months were revised down. While the past two months could suggest the worst of the headwinds for new home sales are in the rearview mirror, new home sales are still 5.3% lower than what they were last Fall. The main issue with the US housing market has been affordability, so it's not surprising that 30-yr fixed mortgage rates recently falling roughly 1% due to anticipation of Fed rate cuts in 2024 has helped sales activity over the past couple months. That said, higher financing costs are still taking a bite out of buyer's purchasing power. Assuming a 20% down payment, the rise in mortgage rates since the Federal Reserve began its current tightening cycle amounts to a 20% increase in monthly payments on a new 30-year mortgage for the median new home. The good news for potential buyers is that the median sales price of new homes has fallen by 15.3% from the peak in 2022. However, it's important to note that this drop in median prices is likely due to the mix of homes on the market including more lower priced options as developers complete smaller properties. Supply has also put more downward pressure on median prices for new homes than existing homes. The supply of completed single-family homes is up 160% versus the bottom in 2022. This contrasts with the market for existing homes which continues to struggle with an inventory problem, often due to the difficulty of convincing current homeowners to give up the low fixed-rate mortgages they locked-in during the pandemic. But this does not mean that housing is getting more affordable per square foot, with the Census Bureau reporting median prices on this basis up 45% from 2019 to 2022, the most recent data available. Though not a recipe for a significant rebound, more inventories giving potential buyers a wider array of options will continue to put a floor under new home sales. One problem with assessing housing activity is that the Federal Reserve held interest rates artificially low for more than a decade. With rates now in a more normal range, the sticker shock on mortgage rates for potential buyers is very real. However, we have had strong housing markets with rates at current levels in the past, and as long as the job market remains strong, homebuyers will eventually adjust.

New Home Sales	Jan-24		Dec-23	Nov-23	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
<i>All Data Seasonally Adjusted, Levels in Thousands</i>							
New Single Family Homes Sales	1.5%	661	651	607	640	657	1.8
Northeast	72.0%	43	25	26	31	33	4.9
Midwest	7.7%	70	65	67	67	65	-4.1
South	-15.6%	358	424	370	384	399	-13.5
West	38.7%	190	137	144	157	160	57.0
Median Sales Price (\$, NSA)	1.8%	420,700	413,100	428,300	420,700	424,433	-2.6
		Jan-24	Dec-23	Nov-23	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		8.3	8.3	8.9	8.5	8.1	7.9

Source: Bureau of the Census