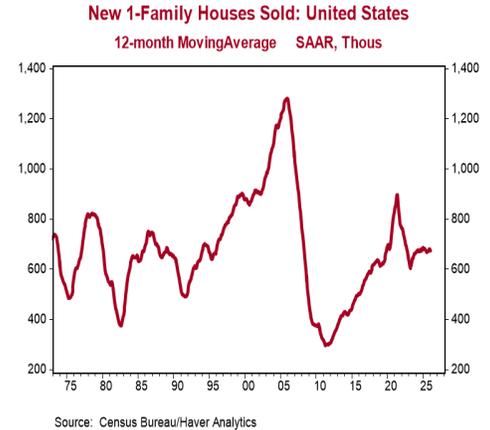


January New Home Sales

Bryce Gill – Economist
Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist

- New single-family home sales declined 17.6% in January to a 587,000 annual rate, well below the consensus expected 722,000. Sales are down 11.3% from a year ago.
- Sales in January fell in all the major regions.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) increased to 9.7 in January. The gain was driven by both a slower pace of sales and a 2,000 unit increase in inventories.
- The median price of new homes sold was \$400,500 in January, down 6.8% from a year ago. The average price of new homes sold was \$499,500, down 3.6% versus last year.

Implications: Don't get too concerned about today's headline decline, this isn't the start of another housing bust. While January posted the largest monthly decline in sales since 2013, the main culprit was likely severe winter storms across the US that held back buyer activity. Look for a rebound in activity next month as this temporary factor reverses. The overall trend in sales likely remains around pre-pandemic levels which has been a ceiling of sorts for activity the past couple of years. Unfortunately, the Iran War and its expected impact on energy prices and inflation have introduced new challenges. First, financing costs have recently spiked in response, with the average 30-yr fixed mortgage rate up 20 basis points in the past couple weeks to 6.3%. Second, the Federal Reserve decided to take a pause on rate cuts in [yesterday's meeting](#) as they wait to see the impacts of the conflict on US economic data. But while buyers are unlikely to get much help from interest rates, the good news is that prices have been trending lower for new builds in the past several years. Median sales prices are down 13% from the peak in October 2022. The Census Bureau reports that from Q3 2022 to Q4 2025 (the most recent data available) the median square footage for new single-family homes built fell 9.7%. So, while most of the drop in median prices is due to smaller/lower-cost homes, there has also been a drop in the price per square foot. This is partially the result of developers offering incentives to buyers in order to move inventory. 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 300% versus the bottom in 2022 and is currently at the highest level since 2009. This contrasts with the market for existing homes, which continues to struggle with convincing current homeowners to give up the low fixed-rate mortgages they locked-in during the pandemic to list their homes. While financing costs remain an open question, less expensive options and an abundance of inventories may give home sales a modest boost in 2026. In other news this morning, initial jobless claims declined 8,000 last week to 205,000, while continuing claims rose 10,000 to 1.857 million. Finally, on the manufacturing front, the Philadelphia Fed index – a measure of factory sentiment in that region – rose to +18.1 in March from +16.3 in February.



New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Jan-26		Dec-25	Nov-25	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
New Single Family Homes Sales	-17.6%	587	712	764	688	690	-11.3
Northeast	-44.7%	26	47	58	44	39	0.0
Midwest	-33.9%	72	109	83	88	88	18.0
South	-8.1%	362	394	463	406	415	-8.8
West	-21.6%	127	162	160	150	148	-28.7
Median Sales Price (\$, NSA)	-4.5%	400,500	419,200	404,600	408,100	410,533	-6.8
		Jan-26	Dec-25	Nov-25	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		9.7	8.0	7.6	8.4	8.5	8.8

Source: U.S. Census Bureau