

## **Datanote: US New Home Sales, January**

**In one line: Sales still struggling for momentum.**

- New home sales dropped to 657K in January, from an upwardly revised 734K, below the consensus, 680K.

Some of the plunge in new home sales likely reflects unseasonably cold weather, deterring many prospective homebuyers from viewing properties.

The relationship between January temperatures and new home sales is relatively weak, but last month was the coldest January since 1988. In any case, the new home sales series is too volatile, too heavily revised, and comes with too wide a margin of error to take a single month's numbers seriously. The Census Bureau's estimate of a 10.3% fall in sales in January, for example, has a 90% confidence interval of -/+19.9%. The big picture remains that the underlying trend in sales has been roughly flat around the 650-to-

675K mark for nearly two years now, as mortgage demand has stayed weak, but new home sales have been supported by a lack of existing homes on the market. The current sales index of the NAHB homebuilders' confidence survey points to new home sales remaining roughly around this level, or dipping slightly, over the rest of Q1.

The supply of new homes on the market, meanwhile, remains very high, with average inventory over the past three months equivalent to 8.7

months of sales in January, down only slightly from 8.9 months on average in the three months to December. The overhang of new homes for sale seems partly to reflect a rush in new projects in 2023 and 2024, as homebuilders bet on a significant upturn in demand that has failed to materialize. This overhang, combined with February's plunge in expected sales in the NAHB survey, points to a significant pullback in new residential construction projects over the next few quarters.

The glut of unsold new homes had been pushing down prices. Admittedly, our seasonally adjusted three-month average of the median new home price in this report jumped by just over 2% in January, lifting the year-over-year rate to 3.7%, from -0.8% in the three months to December. But this jump probably is mostly due to the typical volatility in the numbers. We expect further slight declines in new home prices over the next few quarters.

- MBA purchase index, re-adjusted by PM, adv. one month (Left)
- New home sales, thousands annualized (Right)



- NAHB survey, current sales index, advanced one month (Left)
- New home sales, K annualized (Right)
- New home sales, three-month average (Right)



