

Datanote: New Home Sales, January

In one line: Sales will creep higher this year

- January's new home sales ticked trivially to 661K from a downwardly-revised 651K, slightly weaker than the consensus, 684K.

The below-consensus print and downward revision to December's number is a little disappointing given

the turnaround in housing demand evident in the mortgage application numbers since late last year. Winter storms in parts of the country probably dented sales somewhat, although the impact was likely small given that sales in the Northeast and Midwest regions account for only around 15% of the national total; the bulk of sales take place in the South and West. In any case, the new home sales data are so volatile and subject to such large margins of error that one month's number tell us next to nothing.

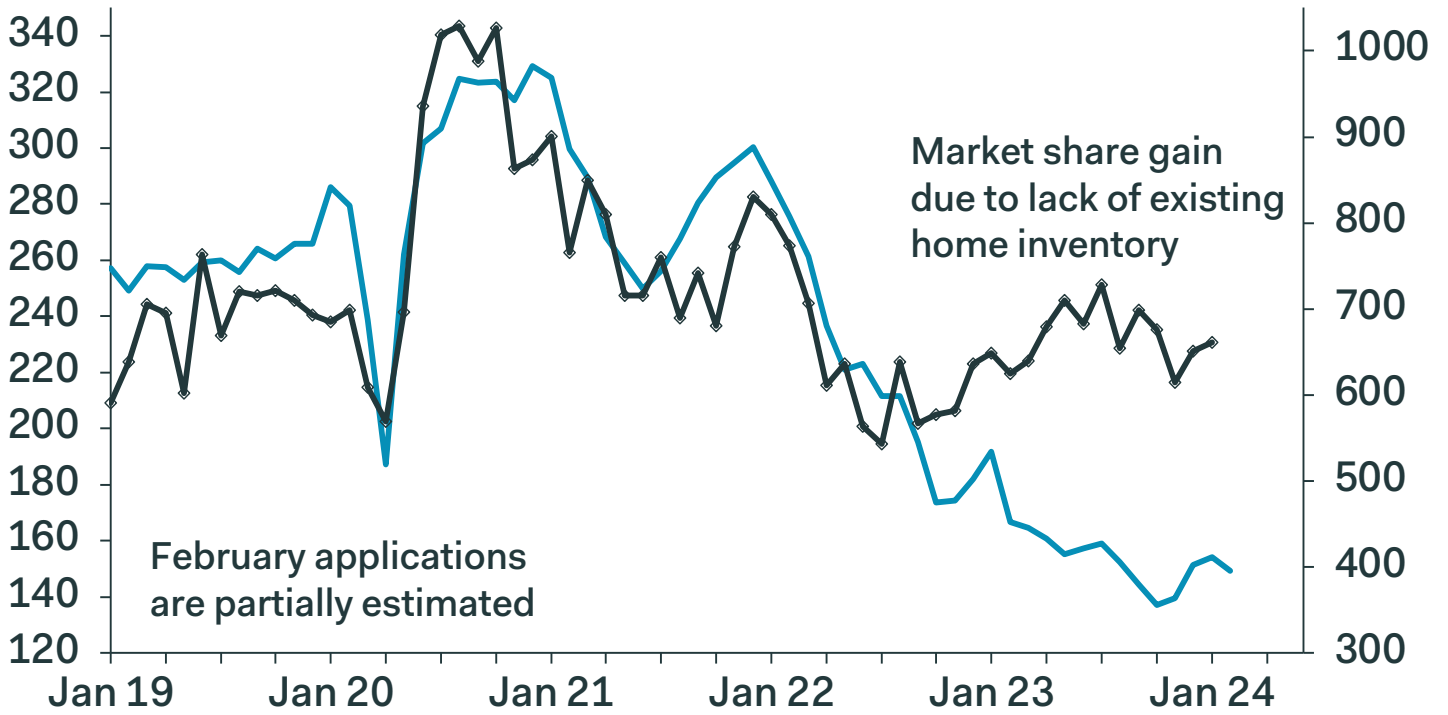
January's estimated increase in sales of 1.5% comes with a 90% confidence interval of +/-19.9%.

The trend is what matters, and we think that a gradual uptrend in new homes sales will become clearer over the coming months. That partly reflects the ongoing recovery in mortgage demand, due lower long-term interest rates. But the ongoing scarcity of existing home for sale probably means that many buyers will continue to be pushed into the new home segment

of the market. Indeed, the supply of new homes for sale remained unchanged at 8.3 months of sales in January, remarkably high relative to the equivalent figure for existing homes, 3.0 months. Prices, meanwhile, seem to have reached a floor, with our seasonally-adjusted three-month average of median new home prices ticking up for the first time since last summer. We expect a gradual increase rather than a boom in new home prices from here, given ample supply.

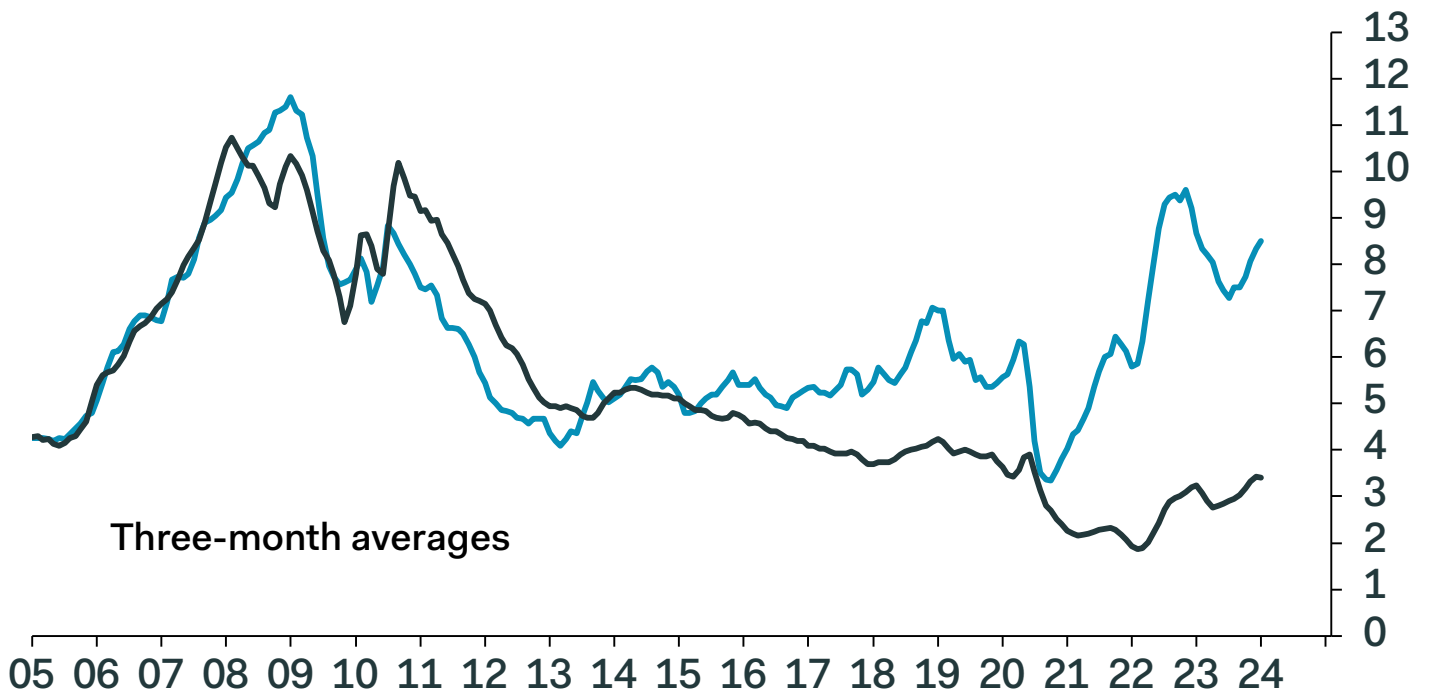
— MBA purchase index, re-adjusted by PM, adv. one month (Left)

—◆— New home sales, thousands annualized (Right)



— Months' supply of new single-family homes

— Months' supply of existing single-family homes, SA by PM



Three-month averages

- Median price of existing single-family home, \$K (Left)
- ◇— Median price of new single-family home, \$K (Right)

