

U.S. Data Review

- New home sales: sharp decline driven by adverse weather

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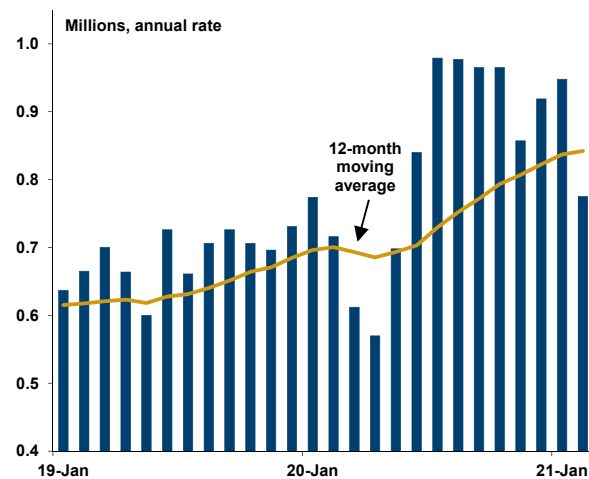
New Home Sales

Sales of new homes tumbled 18.2 percent in February to 775,000 homes (annual rate), far weaker than the expected drop of 5.7 percent. The change was striking, but after seeing sharp declines in other weather-sensitive reports (housing starts and existing home sales), the drop was not shocking. All of these measures fell noticeably and were much softer than expected. In the case of this report, the soft results were tempered slightly by upward revisions to the prior three months, with the cumulative total from November through January 2.9 percent stronger than previously believed. Still, the latest decline was sharp enough to push activity almost back to the pre-pandemic peak of 774,000 in January 2020 (but ahead of the average of 740,000 from November through February).

The strong influence of the weather in this instance was evident in the drop of 37.5 percent in the Midwest, where weather was most severe. The three other major regions of the nation also posted declines, with the retreats ranging from 11.6 percent to 16.4 percent.

With housing construction strong in most recent months, the number of new homes on the market increased 2.6 percent in February. This pickup, along with a drop in the sales pace, led to an increase in the months' supply of homes from 3.8 months to 4.8. Despite the increase, the supply of homes was still lean by historical standards. For example, the months' supply totaled 5.8 in 2019 and 6.2 in 2018 (chart, right).

New Home Sales



Source: U.S. Census Bureau via Haver Analytics

Months' Supply of Unsold Homes



Source: U.S. Census Bureau via Haver Analytics

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