

U.S. Data Review

- New home sales: a jump in March, but sales figures are volatile from month-to-month
- Inventories: months' supply elevated but not threatening

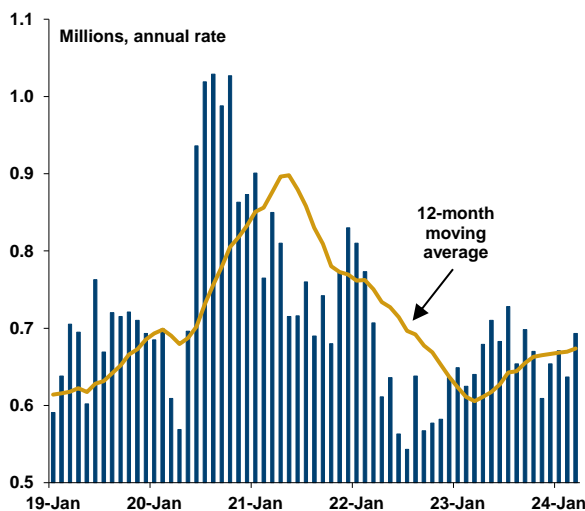
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New Home Sales

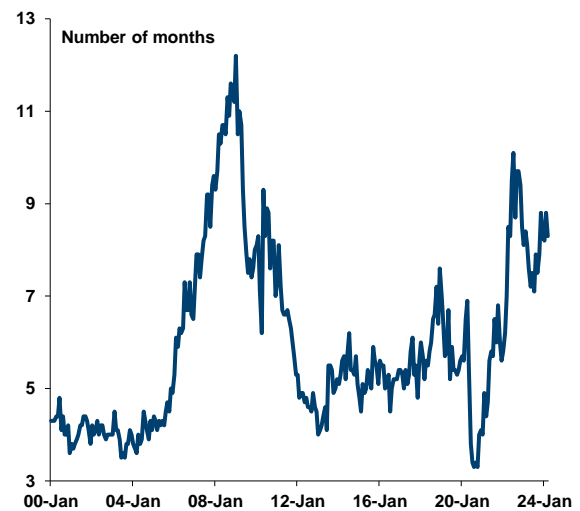
- Sales of new homes jumped 8.8 percent in March to 0.693 million, annual rate, the fastest pace since the reading of 0.698 million in September 2023 and comparable to readings in the year preceding the onset of the pandemic – a period when mortgage rates were approximately 300 to 350 basis points below current levels and the housing market was viewed as on generally firm footing (chart, below left). In one sense, the latest reading is favorable, as it suggests that buyers are acclimating to an environment of persistently higher mortgage rates and that they are willing to make close transactions when units are available (versus the existing home market where inventories are severely constrained). That said, we hesitate to draw broad conclusions, as this measure is prone to wide swings and often significant revisions; on the latter point, the sales pace in February was adjusted lower by 3.8 percent (0.637 million versus 0.662 million). Thus, caution is warranted, particularly when the broader housing market has remained sluggish.
- Activity improved in all four major regions of the U.S. in March. Sales in the Northeast surged 27.8 percent to 0.046 million, annual rate, a reading in the upper end of the ranges of both the current and previous expansions. Activity in the West (+8.6 percent to 0.177 million units), the South (+7.7 percent to 0.391 million units), and the Midwest (+5.3 percent to 0.079 million units) were all in the middle to upper ends of readings in the prior expansion, although they were squarely mid-range readings for the current cycle.
- The inventory of homes available for sale rose for the eighth consecutive month to a new high for the current cycle (+2.6 percent to 0.477 million), a level comparable to those in early 2008 (when the housing market was correcting sharply). However, the months' supply of 8.3 months at the current sales pace, while elevated, suggests a somewhat less favorable picture (chart, below right). With inventories relatively tight in the market for existing homes, we view total inventories as far from problematic – particularly as younger cohorts, over time, switch from renting to homeownership.

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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