

U.S. Data Review

- New home sales: latest drop possibly influenced by weather; prices move higher, underscoring affordability issues; inventories elevated

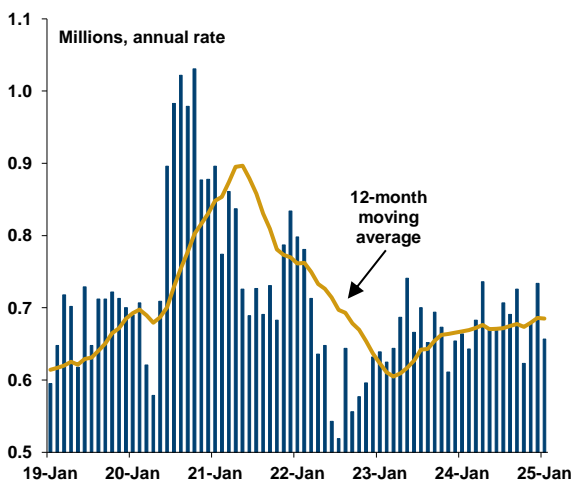
Lawrence Werther
 lawrence.werther@us.daiwacm.com
 +1-212-612-6393

Brendan Stuart
 brendan.stuart@us.daiwacm.com
 +1-212-612-6172

New Home Sales

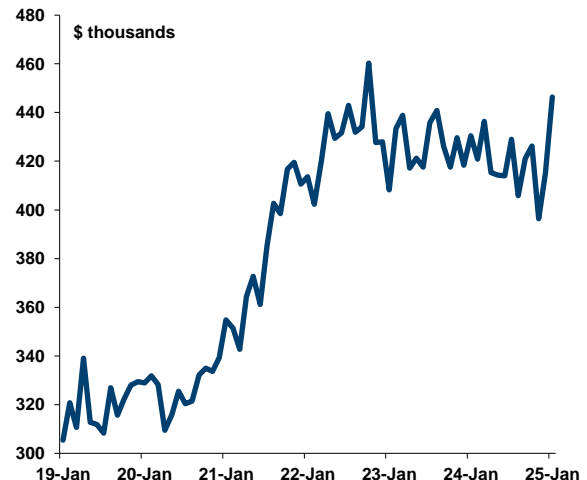
- Sales of new homes fell 10.5 percent to 0.657 million units, annual rate, in January from an upwardly revised 0.734 million in the prior month (associated with a year-over-year decline of 1.1 percent; chart below left). The latest result was noticeably softer than the Bloomberg survey median expectation of a decline of 2.6 percent to 0.680 million units. January's disappointing results can at least in part be attributed to weather effects stemming from winter storms in large swathes of the country. On the point, three of the four major geographical regions in the US reported declines in sales, with the Northeast, Midwest, and South decreasing 20.0 percent, 16.7 percent, and 14.8 percent, respectively, to 0.028 million, 0.070 million, and 0.392 million units. Contrastingly, sales in the West, which had been point of interest on account of the California wildfires, advanced 7.7 percent to 0.167 million, essentially a rangebound reading.
- Looking past the special factors, affordability remains a key constraint on the broader housing market – even as price metrics in this report suggest hints of moderation. In addition to the prevailing level of mortgage rates remaining in the vicinity of seven percent, the new home sales report noted that the median sales price in January rose 7.5 percent to \$446,300, the highest since the observation of \$460,300 in October 2022 and the largest month-to-month advance since April 2019 (not seasonally adjusted; chart, below right). On a year-over-year basis, prices rose 3.7 percent, a notable development given that sluggish demand had recently exerted downward pressure on this measure of sale values. The average sales price increased 0.1 percent, rising to \$510,000, although it slipped on a year-over-year basis (-3.4 percent). Evidently, home prices remain problematic for prospective buyers.
- Beyond factors cited above, we emphasize that this series can show marked volatility on a month-to-month basis (range of -10.5 percent to +9.0 percent in the past three months), with the latest observation having a 90 percent confidence interval of ± 19.9 percent. Thus, observing activity on a 12-month moving average basis can assist in smoothing out some of the noise. With that in mind, after easing between mid-2021 and early-2023, sales have tilted modestly higher to a level comparable to those seen prior to the onset of the pandemic. Moreover, while high prices and still-elevated interest rates have contributed to an environment of reduced affordability, this segment of the market has outperformed that of existing homes – particularly as the inventory situation in this segment has been more favorable for buyers (versus tight inventories in the market for existing homes).

New Home Sales



Source: U.S. Census Bureau via Haver Analytics

Median Sales Price of New Homes*



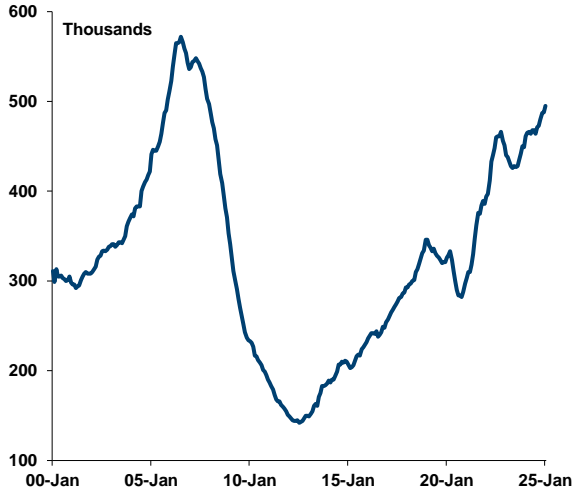
* Not seasonally adjusted

Source: U.S. Census Bureau via Haver Analytics

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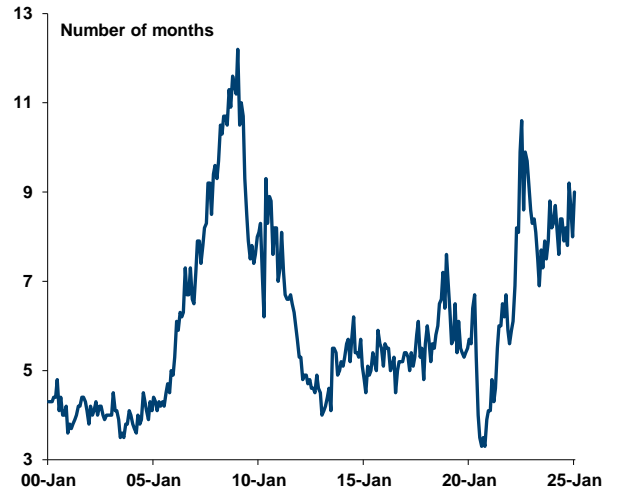
- With respect to units available for sale, the inventory of unsold homes rose 1.4 percent to 495,000 units in January (+7.4 percent year-over-year), the sixth consecutive increase. While inventories remain below the peak of 572,000 seen during the housing bubble of the mid-2000s, they are still elevated from a long-term perspective. In that regard, the decline in sales led to an increase of 1.0 month in the months' supply of unsold homes to 9.0 months. The latest reading is below the cycle high of 10.6 months in July 2022, but it is still in the upper end of the historical range (charts, below).

Inventory of Unsold New Homes



Source: U.S. Census Bureau via Haver Analytics

Months' Supply of Unsold New Homes



Source: U.S. Census Bureau via Haver Analytics