

U.S. Data Review

- New home sales: increase in activity concentrated in the South; prices ease; inventories remain elevated

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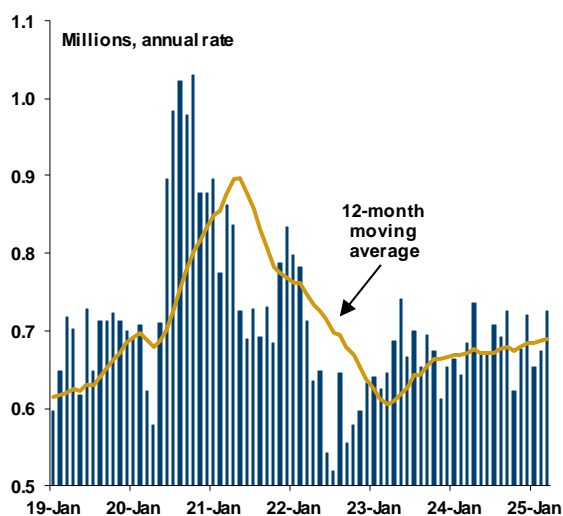
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New Home Sales

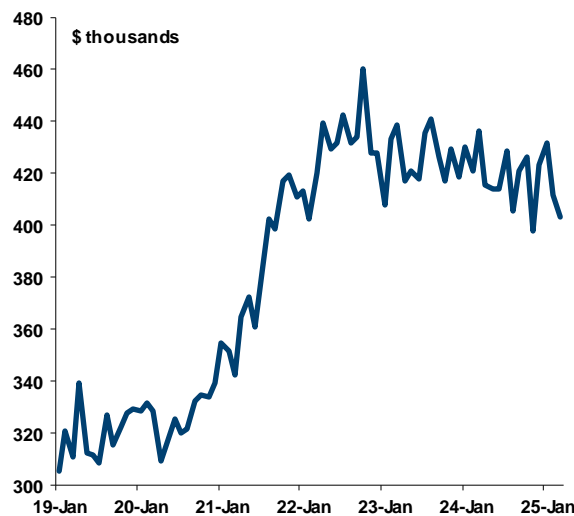
- Sales of new homes rose 7.4 percent to 0.724 million units, annual rate (associated with a year-over-year advance of 6.0 percent). The latest result was notably firmer than the Bloomberg survey median expectation of an uptick to 0.685 million units, and were in the upper end of the range in place since 2023. While aggregate results were relatively firm, activity by geographical area was mixed, with only two of the four major regions of the United States showing increases. The jump in the headline number was influenced importantly by the 13.6 percent spike in sales in the South to 0.483 million units. Purchases of new homes in the Midwest also improved, rising 3.0 percent to 0.069 million units. On the other hands, sales in the Northeast and West fell 22.2 and 1.4 percent, respectively, to 0.028 and 0.144 million units. While activity in the South is firm from a long-term perspective, sales in the other three regions were in the low end of longer-term ranges. Moreover, the latest results were likely influenced by a dip in 30-year mortgage interest rates below seven percent, with some buyers electing to sign contracts at more favorable financing rates. With that said, we view the bounce as unlikely to be sustained – particularly amid the high degree of uncertainty surrounding the Trump administration's agenda and its potential constraining effects on the economy.
- Beyond possible economic headwinds, the series is inherently volatile (range of -14.2 to +8.5 percent in the past six months), with revisions often being large. Moreover, with a 90 percent confidence interval of ± 20.5 percent, a relatively high degree of uncertainty surrounds the latest estimate. With that in mind, observing activity on a 12-month moving average basis can help to smooth out short-term fluctuations and discern underlying trends: after easing between mid-2021 to early-2023, sales have since tilted higher on balance and are now at a level similar to what was seen just prior to the onset of COVID (chart, below left). Even so, we remain concerned about activity into the summer (see above).
- In March, the median sales price fell 1.9 percent to \$403,600 (not seasonally adjusted; chart, below right). On a year-over-year basis, prices moved lower for the second month in a row (-7.5 percent). Contrastingly, the average sales price increased 1.0 percent to \$497,700 (-4.7 percent year-over-year). In context, affordability remains a key constraint on the broader housing market, even with price metrics showing signs of moderation in recent months.

New Home Sales



Source: U.S. Census Bureau via Haver Analytics

Median Sales Price of New Homes*



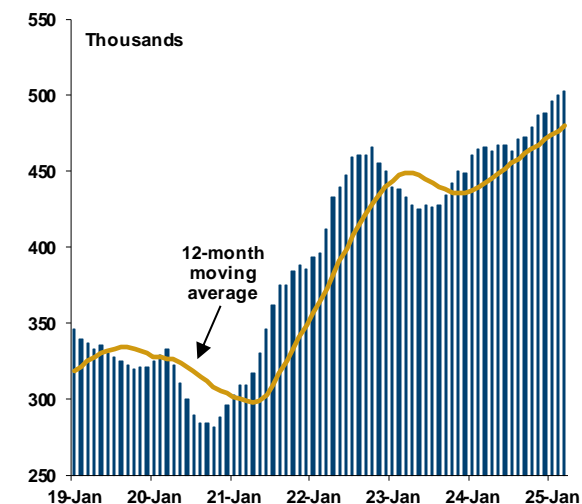
* Not seasonally adjusted

Source: U.S. Census Bureau via Haver Analytics

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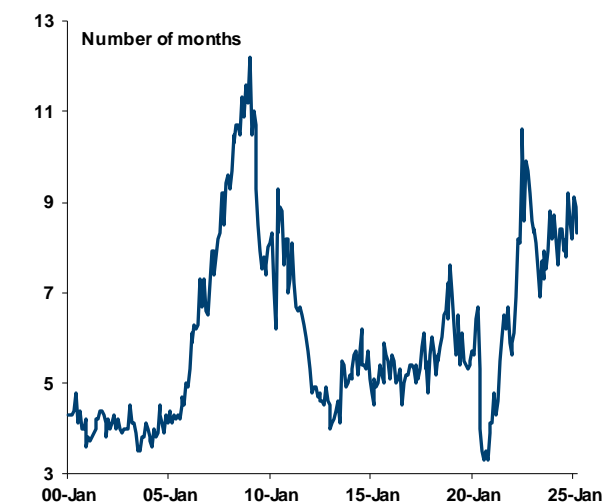
- The inventory of unsold new homes rose 0.6 percent to 0.503 million units in March (not annualized; +7.9 percent year-over-year), its eighth consecutive increase. Inventories remain below the highs seen during the housing bubble of the mid-2000s, but they are still elevated from a long-term perspective. While the latest increase in sales contributed to a 0.6 month decline in the months' supply of unsold homes to 8.3 months, it is still only somewhat below the cycle high of 10.6 months in July 2022, suggesting that builders are grappling with excess supply (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