

Real Estate Analysis

Weakness in West region drags down new home sales in March

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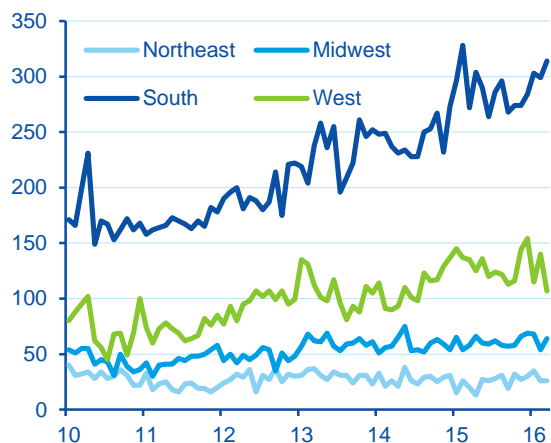
- New single family home sales decreased 1.5% MoM in March, but were still 5.4% higher YoY
- The inventory of new homes continues to increase while price appreciation slows
- Growth of new home sales is expected to average 6.7% YoY in 2016

Sales of new single family houses in March were at a seasonally adjusted annual rate of 511K, down 1.5% from the upwardly revised rate of 519K in February (the preliminary figure was 512K). Despite this being the third straight month of declines, sales stood 5.4% higher on a YoY basis, marking the first month in positive growth territory this year. The entire decline in home sales was due to lower sales in the West (Chart 1), more than completely negating all of the gains in this region in February. The increase in sales in the other regions confirmed that the weak numbers from the previous month were likely related to transitory factors such as winter weather. Compared to a year ago, home sales were lower in the West (-20.7%) but higher in the Northeast (30%) and Midwest (10%) and in the South (15.4%).

The median number of months that new single family houses have been on the market has increased for the third consecutive month (Chart 2). This is a result of faster growth in the number of homes for sale, with inventories up 2.1% MoM on a seasonally adjusted basis and 20.0% YoY. The months' supply of new homes at the current sales rate increased to 5.8 seasonally adjusted, which adds to the picture of a continuously improving market, helping to moderate the growth in home prices. The lower sales in the West have led to the median home price decreasing 1.8% YoY, while the average increased 1.0% YoY.

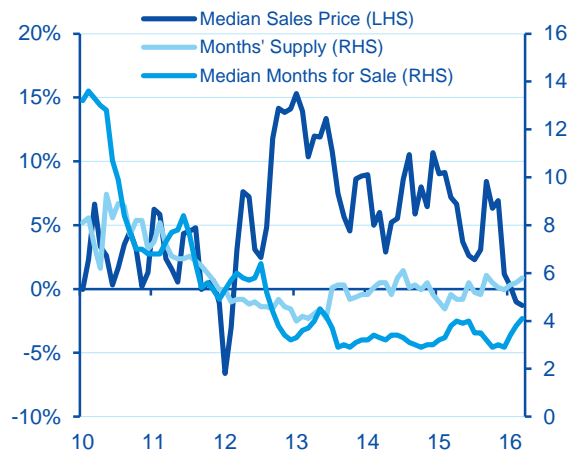
The new home market is expected to perform fine in 2016, despite a moderation in the growth of sales (6.7% YoY on average, compared to 14.3% last year) and the rate of price appreciation, as it will be supported by favorable mortgage rates and improving labor market. While the new home sales figure for March confirmed a slow first quarter for the housing market, it was not all negative and the sector is still performing respectably.

Chart 1
New home sales, by region
(SAAR, thousands)



Source: U.S. Census Bureau & BBVA Research

Chart 2
Median price, months' supply and median months for sale (YoY% change in 3MMA and ratio/months)



Source: U.S. Census Bureau & BBVA Research

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