

Real Estate Analysis

# Strong increase in new home sales in April

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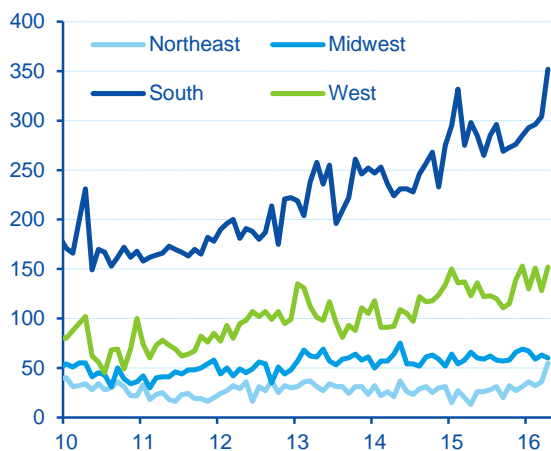
- **New single family home sales increased 16.6% MoM in April and were 23.8% higher YoY**
- **The number of new homes for sale was flat, but the months' supply declined significantly**
- **Growth of new home sales will likely continue, but at a more moderate pace**

Sales of new single family houses in April were at a seasonally adjusted annual rate of 619K, up 16.6% from the upwardly revised rate of 531K in March (the preliminary figure was 511K; the figures for February and January were also revised upwards). New home sales in April were much stronger than expected, as consensus range was between 510 and 530K. Due to the surge in April, sales stood 23.8% higher on a YoY basis, a significant improvement from the first quarter, when they were 2.1% higher compared to 1Q15. A large part of the April gain came from higher new home sales in the South and the Northeast (Chart 1). The gain in new home sales in the West offset the decline in March, but the region continues to struggle with a chronic shortage of new housing units. Compared to a year ago, home sales were higher in the Northeast (323.1%), West (23.6%) and South (18.1%), but lower in the Midwest (9.1%).

The number of new homes for sale remained roughly unchanged, but due to the strong monthly sales, the months' supply of new homes at the current sales rate fell to 4.7 seasonally adjusted—the lowest in 14 months (Chart 2)—which should prompt builders to continue increasing single family housing construction. The median sales price in April was \$321K, 9.7% higher than at the same time last year. The median number of months that new single family houses have been on the market has increased for the fourth consecutive month, but this is not likely to continue at this rate of sales if construction does not intensify.

Improved confidence, continued solid performance of the labor market, and very low interest rates have helped lift up the new home market in April—a trend that is expected to continue throughout the year, although not at such a breakneck pace.

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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