

New Home Sales +1.6% to 315K Pace in November

New single family home sales edged up by a m/m 1.6% in November to a 315K unit seasonally adjusted annual rate from a revised 310K pace in October (originally reported as 307K). The November outcome was in line with the median forecast, and the level of sales remains miserable in absolute terms. Earlier results were 306K in September, 290K in August, 295K in July, 303K in June, 308K in May, 316K in April, 305K units in March, 281K in February (a record low), and 310K in January.

Many indicators of the housing market suggest that conditions remain weak. A good example is the Mortgage Bankers Association weekly index of mortgage applications for home purchase (a measure that tends to lead sales data by roughly two months), which is at levels suggestive of stagnant demand in spite of mortgage rates at levels not seen in generations (if ever). One notable exception is that the homebuilders survey is up from rock-bottom readings seen earlier. Time will tell if this signals sustained, significant gains in new home sales and consequently starts of single family homes. We suspect that it will be quite some time before this occurs owing to continued intense competition from a copious supply of existing homes.

The median home price was reported to have dropped to \$214,100 in November from \$222,600 in October. Bear in mind, though, that these price data, which can be erratic, are often distorted on a monthly basis by the mix of homes that were sold, both geographically (where the Northeast and the West have higher priced homes compared to the South and the Midwest), and also by whether more expensive or cheaper homes were sold within each region.

Homes for sale were 158,000 in November, which followed 160,000 in October, 161,000 in September, 162,000 in August, 166,000 in July, 166,000 in June, 168,000 in May, 173,000 in April, 178,000 in March, 182,000 in February, and 186,000 in January. The absolute level of inventories reported in recent months are the lowest recorded since December 1967.

The SA months' supply at the current sales rate was 6.0 months in November, which followed 6.2 months in October, 6.3 months in September, 6.7 months in August, 6.8 months in July, 6.6 months in June, 6.5 months in May, 6.6 months in April, 7.0 months in March, 7.8 months in February, and 7.2 months in January. Historically, roughly a 6 months has been considered "normal". While the months' supply figure will jump around with changes in the sales rate, with the absolute level of inventories very low, it will be changes in demand for new homes that will drive single family housing starts rather than a compelling need to shave inventories further.

New Home Sales Summary Table

	Nov. 2011	Oct. 2011	Sept. 2011	Aug. 2011	July 2011
Total Sales	315,000	310,000	306,000	290,000	295,000
MoM% change	1.6%	1.3%	5.5%	-1.7%	-2.6%
Prev. est.	n/a	307,000	303,000	293,000	295,000
Northeast	14,000	19,000	20,000	23,000	23,000
Midwest	57,000	53,000	46,000	48,000	46,000
South	175,000	155,000	175,000	156,000	163,000
West	69,000	83,000	65,000	63,000	63,000
Homes for sale	158,000	160,000	161,000	162,000	166,000
Months' supply	6.0	6.2	6.3	6.7	6.8
Median price	\$214,100	\$222,600	\$215,100	\$219,600	\$229,900
YOY% change	-2.5%	9.0%	-5.7%	-3.1%	8.4%

NOTE: All sales figures are expressed at seasonally adjusted annual rates. Price data is not seasonally adjusted. (Table Courtesy of Bloomberg)

