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Single-family Home Sales Start 2018 Lower

BY [MICHAEL NEAL](#) ON [FEBRUARY 26, 2018](#) • (0)

According to the U.S. Census Bureau and the U.S. Department of Housing and Urban Development, [sales](#) of new single-family homes fell by 7.8 percent over the month of January. The decrease in sales partly reflected an upward revision in the December estimate from 625,000 to 643,000. However, sales fell below the 600,000 level to 593,000. Despite the second consecutive decrease in new home sales, the three-month moving average, used to smooth the month-to-month volatility, is a 644,000, near its post-recession high.



While the sales of new homes fell over the month, reflecting a decline in the Northeast, 33.3 percent, and the South, 14.2 percent, the inventory of new homes for sale rose 2.4 percent over the month to 301,000. The increase in the inventory of homes for sale, combined with a decline in the pace of sales, raised the months' supply, the number of months it would take to exhaust the inventory at the current sales pace, to 6.1. The months' supply has been trading between 4.9 and 6.1 months over 2017 and the first month of 2018.

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The decline in sales over the month of January coincides with an increase in [interest rates](#). If the two are related, analysis suggests that sales may be lower in the short-term. Historical analysis suggests that the “longer-term” trend in new home sales tends to remain in place. More fundamentally, the underlying economics of housing demand remain strong as [job gains](#) continue and [home equity](#) expands. However, the future level of interest rates is dependent on incoming data and the assessment of that data by market participants and policy makers.





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