

U.S. Housing Flash

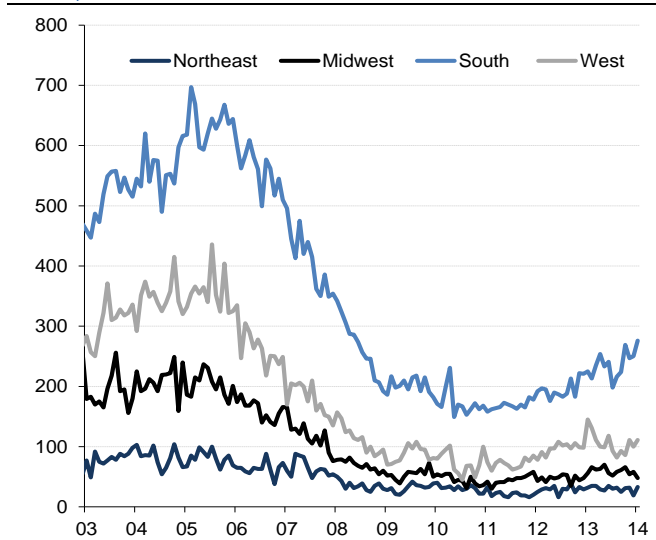
New Home Sales Unexpectedly Surge In January

- **Despite extreme weather, sales of new homes jumped 9.6% following December's drop**
- **The median sales price declined 2.2% MoM, but accelerated to 3.4% on a YoY basis**

New home sales in January surpassed forecasts, increasing significantly from a disappointing December to start the new year. Single-family new home sales rose 9.6% MoM to 468K, the highest seasonally adjusted annualized level of the recovery period. December's sales were revised upward slightly to 427K from the original estimate of 414K. After two consecutive months of decline raised concerns about the housing market recovery, January's data should put short-term worries to rest, at least for the time being. Despite the suggested weather impact in the existing home market, homebuyers for new houses appeared to be unaffected by the cold weather, as the sales for the month are the highest in over five years. In terms of affordability, the median sales price dropped to \$260K, or -2.2% MoM, but home prices still remain up 3.4% on a YoY basis. Due to the acceleration of home purchases, the supply for new homes at the current sales rate fell from 5.2 months in December to 4.7 months in January.

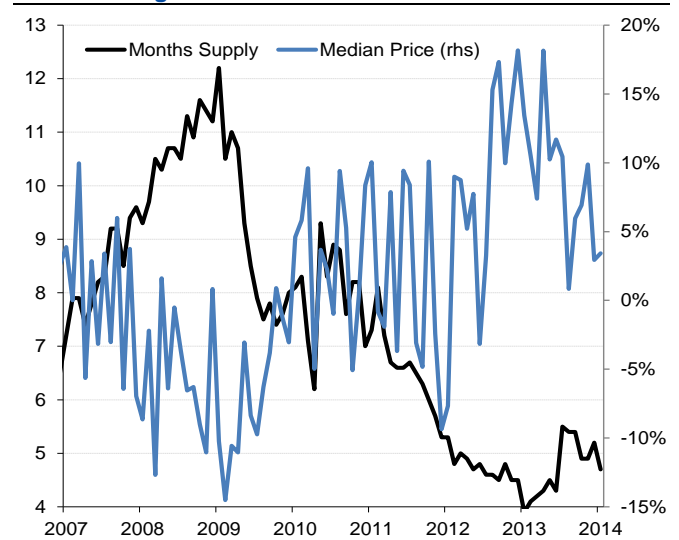
The increase in home sales for the month is certainly encouraging and provides a sigh of relief after worries that the housing recovery might be stalling. Specifically, affordability has been a growing concern, as mortgage rates and home prices steadily rose through 2013. Despite the increasing costs of purchasing a home, individuals are still buying, an encouraging sign that consumers are feeling confident enough in their financial situation to take out a mortgage and make a home purchase. Although the data for January was positive, it is only one month, and we still need to keep an eye on the housing market over the next several months to gauge how sensitive potential homebuyers are to rising prices and mortgages rates. The housing market may never reach pre-recession levels again, but the recovery still has a long way to go in proving that the sector's growth is robust. Although we certainly do not expect to see significant MoM gains every month, we do forecast the housing market to slowly and steadily recover as we move through 2014.

Graph 1
New Home Sales, by Region
SAAR, Thousands



Source: U.S. Census Bureau & BBVA Research

Graph 2
Median Price and Months' Supply at Current Sales Rate
YoY % Change and Ratio



Source: U.S. Census Bureau & BBVA Research

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