

U.S. Housing Flash

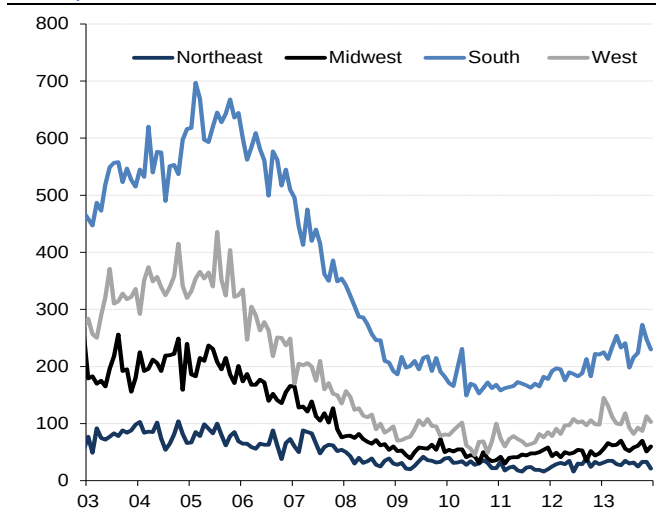
New Home Sales Plunge In December, but Still Up for the Year

- Sales of new homes in December fell 7.0% MoM with a major Northeast decline
- The median sales price rose 0.6% and remains stable at a 4.6% YoY growth rate
- Supply of new homes on the market jumped back up to 5.0 months

New home sales in December surprised to the downside, falling substantially from November to close out the year. Sales were down 7.0%, the largest monthly decline since July of this year, which could have partially been a result of the harsh winter weather experienced in December. The largest regional decline occurred in the Northeast region, which saw a 36.3% MoM decline, though the region has seen increased month-over-month volatility throughout the past few years. Adding to the discouraging report were downward revisions: November's original estimate of 464K home sales was revised downward by roughly 4% to 445K, and October's 474K was revised down to 463K. The decline, however, should be taken in stride, as overall YoY sales still finished in the positive. Annual growth has been largely in the double digits for most of the year, and closed 2013 up 4.6%.

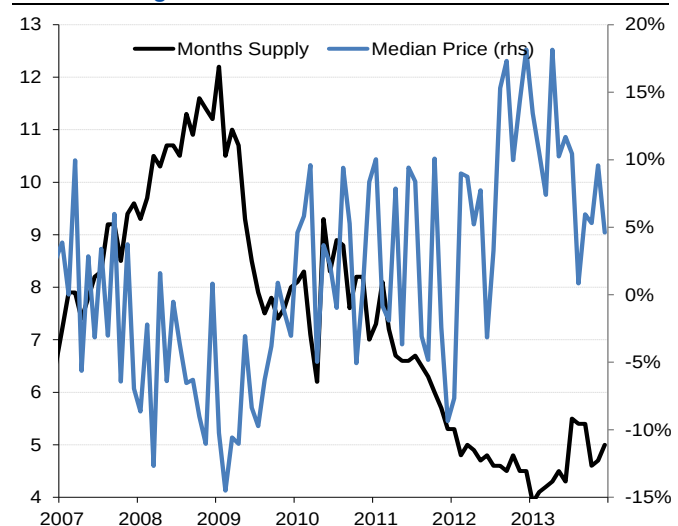
Affordability has been a concern again among potential homebuyers, with mortgage rates and prices on the rise throughout the year. In December, the median sales price for new homes increased 0.6%, and like home sales, rose 4.6% on a YoY basis. The annual median price for 2013 finished up 8.40% compared to 2012, the strongest increase in median home prices since 2005. Interestingly, the supply of new homes jumped up from 4.7 months in November to 5.0 in December, which will certainly be a factor in helping keep prices (and ultimately, affordability) in check for homebuyers. While the monthly numbers for December were largely negative, we believe it is more important to keep the larger picture in focus, and the yearly figures still convince us that the housing market will continue to recover as we move into 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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