

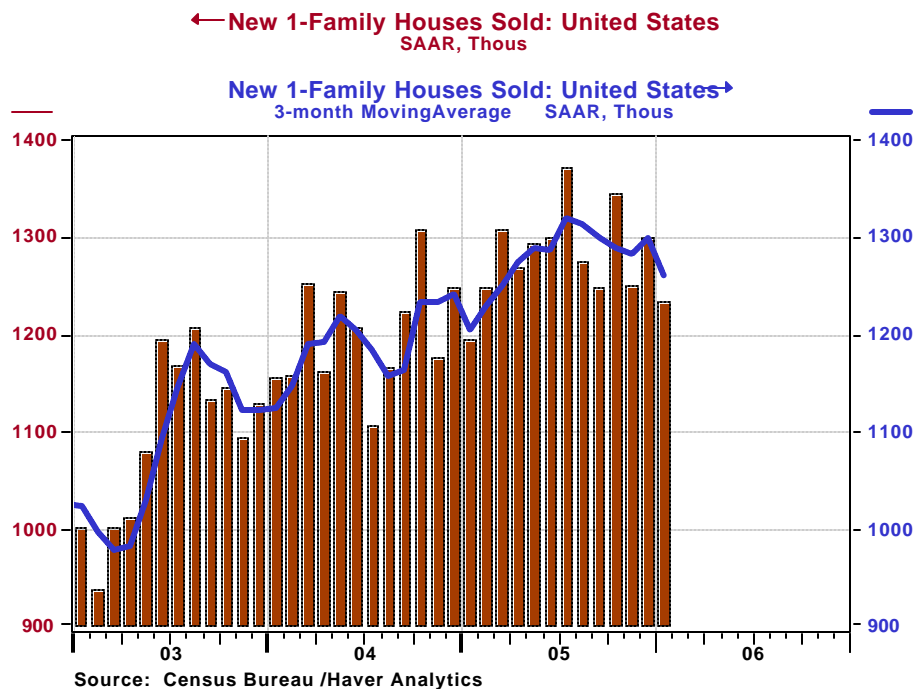
Sales of New Homes Cooling Down

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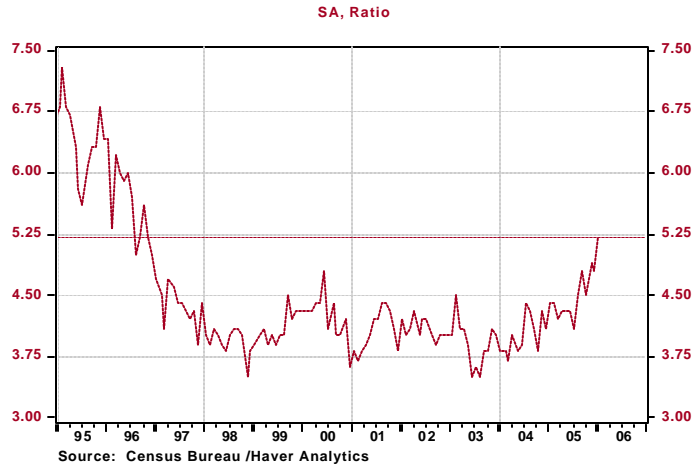
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Sales of new homes fell 5.0% in January to an annual rate of 1.233 million units, after an upwardly revised reading for December. The details of the report are noteworthy for several reasons. (1) The January decline is the fourth monthly drop in the last six months.



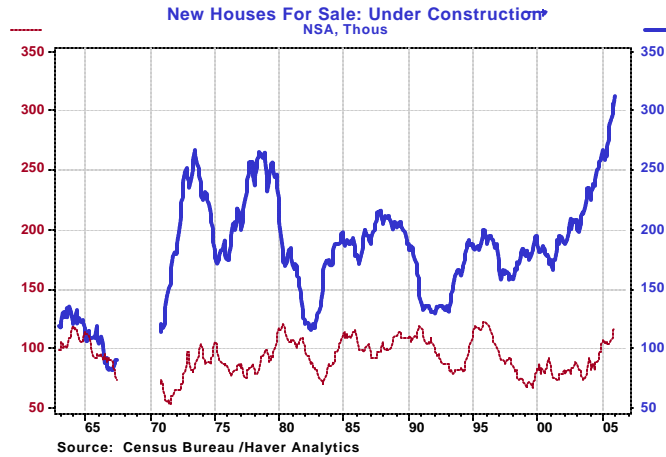
Sales of new-single family homes dropped in the Northeast (-14.9%), Midwest (-10.8%), and South (-10.3%) but advanced 11.3% in the West. (2) The median price of a new single-family home rose 4.0% during January to \$238,100. On a year-to-year basis, the median price increased 6.7% during January vs. a 0.3% drop in December. The median price of a new single-family rose 7.0% in 2005 compared with a 13.8% increase in 2004. (3) There was a 5.2-month supply of unsold new single-family homes in the market place, the largest supply of unsold homes since November 1996.

New 1-Family Houses For Sale: Months Supply



(4) The median number of months for sale of a new-single-family home after completion has risen to 4.5 months in January, the highest reading since 2001 (the comparison is on a January-to-January basis because these are seasonally unadjusted data). (5) The number of new houses for sale under construction and completed show an alarming upward trend.

← New Houses For Sale: Completed Units
NSA, Thous



The message is that the housing market is cooling down. The consequences of this trend in the housing market are tied directly to the nature of the correction, which has been modest so far.

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