USA TODAY — THE GREENVILLE NEWS
WEDNESDAY, FEBRUARY 25, 2015

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What to watch

Forecast is sunny for Jan. new home sales

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New home sales gained nearly 12% in December, and while economists expect the momentum in the housing market to continue, a repeat of the double-digit gains isn't likely.

An impressive 481,000 new homes were sold in December, which outpaced the 450,000 sales economists had forecast. But the 11.6% sales gain from November 2014 was "probably exaggerated," Maury Harris, an economist at UBS, told clients in a report.

He notes that the strong sales gains in the final month of 2014 didn't jibe with the 3.7% drop in pending home sales, or the number of signed home contracts, in December.

Still, Harris and the rest of Wall Street is expecting sales gains in the new home market again in the first month of 2015. Wall Street is expecting 475,000 new home sales in January. And while that's a tad below the blow-out December 2014 number, it is still 3.7% above the fourth-quarter 2014 average of 458,000 new homes sold. The UBS forecast is a tad more conservative; the firm is expecting new home sales of 470,000 for January, which is 2.6% above the three-quarter average.

"Our forecast is nevertheless consistent with an improving trend in new home sales," Harris told clients.

Housing, of course, is a key pillar of the U.S. economy.

Existing home sales in January also cooled. Sales dipped 4.9% to a seasonally adjusted 4.82 million units, below the 4.95 million homes forecast by economists.