

New home sales on a downswing: Redfin

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Home sales of new construction in the northeast are on the decline. Image credit: Redfin

By MICKEY ALAM KHAN

Sales of new homes in the United States fell more than 10 percent in December 2018, with the Northeast seeing the most significant declines.

According to a new report from Redfin, the Northeast has not seen growth in purchases of new construction homes since January 2017. However, the national trend could turn around with a drop in mortgage rates and continued job growth.

"All around the country homebuyers were backing off at the end of last year due to high prices and high mortgage interest rates, and 2018 tax reform made it even more expensive to buy high-priced homes in high-tax states like Massachusetts, Connecticut and New York," said Daryl Fairweather, chief economist at Redfin, Seattle. "New homes tend to be pricier than existing homes, which is one reason sales of new homes dropped off so much in the Northeast."

Redfin's findings were based on data from multiple listing services and county records. Due to a partial shutdown of the U.S. government, data from the Department of Housing and Urban Development was unavailable for November and December 2018.

New construction declines

In December 2018, new home sales in the northeastern United States fell 16.1 percent year-over-year. Nationally, there was a decline of 11.6 percent year-over-year as all four regions Midwest, Northeast, South and West saw double-digit drops.

However, the South which generally has a lower tax rate experienced the least pronounced drops. Sales of new homes in the South for November and December dropped 2.9 and 10.3 percent, respectively.



Sales of new homes in the South fell more than 10 percent in December 2018. Image credit: Redfin

The Republican-approved tax plan from 2017 lightened the tax load for many of the country's wealthiest people while placing a heavier burden on poor Americans, potentially contributing to an upswing in luxury real estate purchases as the richest Americans have even more money to play with ([see story](#)).

The median sales price for a new home remained steady year-over-year at \$371,200, compared to a median sales price of \$287,000 for an existing single-family home.

In the fourth quarter of 2018, inventory of new homes was also up 7.4 percent, while listing time shortened by five days to 91 days on the market.

Other promising factors include builder confidence, which rose to 58. The cost of building materials also fell 1.8 percent in December 2018, which could lead to a boost in new construction sales.

Additional insights

Prospective and current homeowners often evaluate home prices, interest rates and the average local tax burden, or the relative measure of a county's average sales, income and property tax rates.

Despite today's home values becoming more sensitive to changing mortgage interest rates, the homeownership rate is expected to climb above its long-term average in the next five years.

According to Zillow's Q4 Home Price Expectations Survey, 49 percent of industry experts expect activity among repeat buyers to hold steady in 2019, while 41 percent expect first-time homebuyers to become more active. Diverse metro areas are expected to have a strong year as well ([see story](#)).

Prospective homebuyers residing in high-tax coastal markets in the United States are being drawn to more affordable metro areas.

Other research from Redfin shows that 24 percent of home searchers were looking to move to another metro area in the second quarter of 2018, up 3 percent from the second quarter of 2017. People are looking to leave metro areas that have an average tax burden three times higher than the areas attracting new residents ([see story](#)).

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