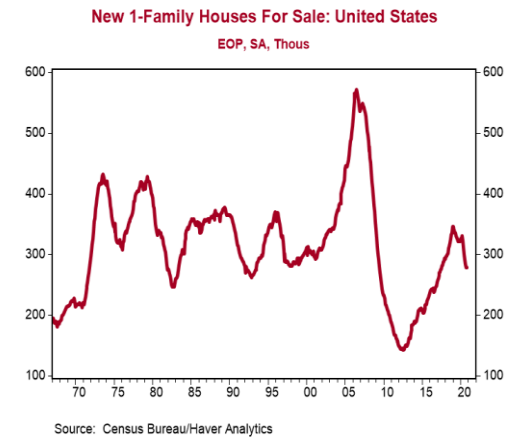
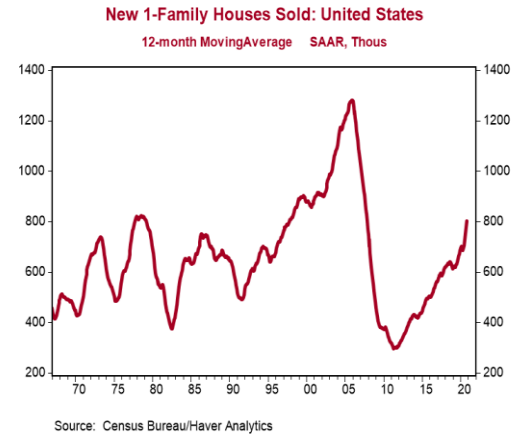


# October New Home Sales

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- New single-family home sales declined 0.3% in October to a 0.999 million annual rate, beating the consensus expected 0.975 million. Sales are up 41.5% from a year ago.
- Sales rose in the Midwest and Northeast, but fell in the South and West.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) was unchanged at 3.3 in October, the result of a roughly unchanged pace of sales and an unchanged level of inventory.
- The median price of new homes sold was \$330,600 in October, up 4.8% from a year ago. The average price of new homes sold was \$386,200, up 1.6% versus last year.



**Implications:** Don't let the negative headline number fool you, new home sales continued to impress in October, easily beating consensus expectations. The drop of 0.3% was due to an upward revision of 43,000 to September's sales pace, putting that month at the highest level since 2006. Without that upward revision, October would have posted a gain of 4.2% versus the sales figure for October reported a month ago. New home sales are now 29.1% above the January pre-pandemic high, and a couple of factors should continue to keep the fast pace of new home sales going in the months ahead. First, affordability; near zero interest rates from the Federal Reserve have helped reduce 30-year fixed mortgage to record lows. Second, due to the pandemic, closures, and urban unrest, buyers' preferences have shifted away from units in denser urban environments, toward more spacious options in the suburbs, where most new single-family homes are built. That said, a lack of finished new homes waiting for buyers remains a headwind for sales going forward. In the past year, the only portion of the inventory of unsold new homes that has increased are homes where construction has yet to start. Meanwhile, the inventory of unsold homes that are either under construction or finished is down from a year ago. Given the downward pressure that social distancing regulations, shortages of labor, and supply chain issues continue to exert on new construction, we do not expect an oversupply of homes anytime soon. This is reflected in the months' supply (how long it would take to sell today's inventory at the current sales pace) of new homes for sale, which has collapsed from 6.8 in April during the height of the pandemic to only 3.3 in October, the lowest level on record going back to 1963. New home sales normally run around 70% of single-family housing starts, but have now exceeded that threshold for each of the past six months, sitting at 84.7% in October, and signaling plenty of appetite for new homes. And this has occurred despite single-family housing starts rising in October to the fastest pace since 2007. In other words, even though new home construction has accelerated rapidly during the pandemic, it still needs to pick up more to keep pace with consumers' appetites for new homes. In other recent housing news, the national Case-Shiller home price index rose 1.4% in September and is up 7.0% from a year ago, more than doubling the 3.2% gain in the year ending in September 2019. In the past twelve months, prices were up the most in Phoenix, Seattle, and San Diego, while up the least in New York, Chicago, and Dallas. Meanwhile, the FHFA index, which measures prices for homes financed by conforming mortgages, rose 1.7% in September and is up 9.1% from a year ago, a major acceleration from the gain of 5.5% in the twelve months ending in September 2019. The 1.7% gain in September is the largest monthly increase on record (going back to at least 1991) and the 9.1% gain versus a year ago is the largest year-to-year increase since the housing bubble in the 2000s.

New Home Sales	Oct-20		Sep-20	Aug-20	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
<i>All Data Seasonally Adjusted, Levels in Thousands</i>							
<b>New Single Family Homes Sales</b>	<b>-0.3%</b>	<b>999</b>	1,002	1,001	1,001	920	41.5
<b>Northeast</b>	<b>5.1%</b>	<b>41</b>	39	49	43	43	86.4
<b>Midwest</b>	<b>11.2%</b>	<b>109</b>	98	99	102	99	51.4
<b>South</b>	<b>-2.0%</b>	<b>580</b>	592	594	589	540	40.1
<b>West</b>	<b>-1.5%</b>	<b>269</b>	273	259	267	239	35.9
<b>Median Sales Price (\$, NSA)</b>	<b>-0.3%</b>	<b>330,600</b>	331,600	321,300	327,833	328,583	2.5
		<b>Oct-20</b>	<b>Sep-20</b>	<b>Aug-20</b>	<b>3-mo Avg</b>	<b>6-mo Avg</b>	<b>12-mo Avg</b>
<b>Months' Supply at Current Sales Rate (Levels)</b>		<b>3.3</b>	3.3	3.4	3.3	3.9	4.8

Source: Bureau of the Census