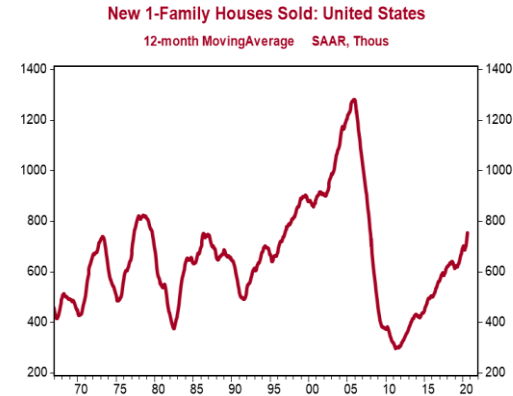


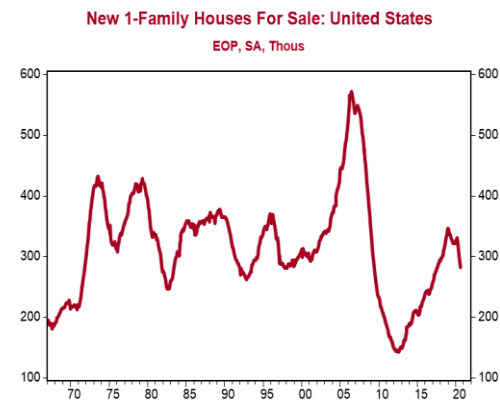
August New Home Sales

Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Senior Economist

- New single-family home sales increased 4.8% in August to a 1.011 million annual rate, easily beating the consensus expected 890,000. Sales are up 43.2% from a year ago.
- Sales rose in the South and Northeast, but fell in the Midwest and West.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) fell to 3.3 months in August from 3.6 months in July. The decline was due to both the faster pace of sales and a decline in inventories of 9,000 units.
- The median price of new homes sold was \$312,800 in August, down 4.3% from a year ago. The average price of new homes sold was \$369,000, down 6.0% versus last year.



Source: Census Bureau/Haver Analytics



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Implications: The impressive rally in new home sales continued in August, beating even the most optimistic forecast by any economics group and posting a fourth consecutive gain. Remarkably, August new home sales are now 30.6% above the January pre-COVID-19 high and crossed above a one million annualized sales pace for the first time since 2006. A couple of factors should continue to keep new home sales strong 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 and urban unrest, buyers' preferences look to be shifting away from units in denser urban environments, toward the more spacious options in the suburbs where most new single-family homes are built. Finally, there is still pent up demand from potential buyers whose purchases were temporarily disrupted by lockdowns and widespread economic uncertainty in the wake of the pandemic. However, a lack of finished new homes waiting for buyers could be 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 August, the lowest level on record going back to 1963! Surprisingly, median prices were actually down 4.3% from a year ago in August despite the drop in inventories, but this looks to be the result of a shift in the mix of homes sold towards lower priced properties and not a sign of falling unit prices. As a result, look for home prices to rebound in the next several months and new construction to accelerate to meet demand. In other recent housing news, the FHFA index, which measures prices for homes financed by conforming mortgages, rose 1.0% in July and is up 6.4% from a year ago, an acceleration from the gain of 5.2% in the twelve months ending in July 2019. On the employment front this morning, initial jobless claims rose 4,000 last week at 870,000. Meanwhile, continuing claims for regular benefits fell 167,000 to 12.58 million. These figures suggest further payroll gains in September as well as another decline in the unemployment rate. Finally, on the manufacturing front, the Kansas City Fed index fell slightly to +11 in September from +14 in August, remaining well in positive territory and signaling ongoing optimism in the factory sector following deeply negative readings early on in the pandemic.

New Home Sales	Aug-20		Jul-20	Jun-20	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
<i>All Data Seasonally Adjusted, Levels in Thousands</i>							
New Single Family Homes Sales	4.8%	1,011	965	841	939	783	43.2
Northeast	5.0%	42	40	53	45	35	27.3
Midwest	-21.4%	99	126	79	101	88	54.7
South	13.4%	636	561	495	564	468	50.0
West	-1.7%	234	238	214	229	192	26.5
Median Sales Price (\$, NSA)	-4.6%	312,800	327,800	337,700	326,100	322,283	-4.3
		Aug-20	Jul-20	Jun-20	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		3.3	3.6	4.3	3.7	5.0	5.2

Source: Bureau of the Census