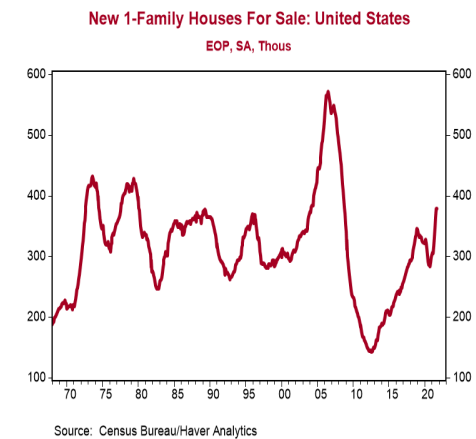
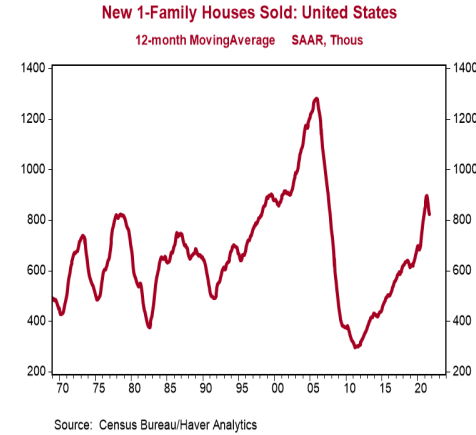


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September New Home Sales

- New single-family home sales increased 14.0% in September to a 0.800 million annual rate, easily beating the consensus expected 0.756 million. Sales are down 17.6% from a year ago.
- Sales in September rose in the Northeast, South, and West, but fell in the Midwest.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) fell to 5.7 in September from 6.5 in August. The drop was due to the faster pace of sales. Inventories were unchanged in September
- The median price of new homes sold was \$408,800 in September, up 18.7% from a year ago. The average price of new homes sold was \$451,700, up 11.5% versus last year.

Implications: New home sales in September posted the largest monthly gain in more than a year, beating even the most optimistic forecast by any economics group. The pace of sales is now up 17.1% from June 2021, returning to an upward trend and signaling that the housing market has found its footing after a series of weak reports earlier this year. That said, sales are still well below the January peak of 993,000. Why? We think for two main intertwined reasons: a lack of supply of completed homes plus rapid price appreciation versus pre-COVID levels. The good news is that builders have been ramping up activity, with the total number of single-family homes under construction currently at the highest levels since 2007. Ultimately, that added supply will facilitate more sales while slowing the pace of new home price appreciation. In the meantime, buyers are still stuck dealing with very few options when it comes to completed homes. It's true that overall inventories have been rising recently and now sit at the highest level since 2008. This has pushed up the months' supply (how long it would take to sell the current inventory at today's sales pace) to 5.7 from a record low reading of 3.5 in late 2020. However, almost all of this inventory gain is from homes where construction has either not yet started or is still underway. Doing a similar calculation with just completed homes on the market shows a months' supply of only 0.5, tied for the lowest level on record back to 1999. The good news is that the inventory of completed homes has been rising recently after nearly a year straight of declines. While it's too early to say if this represents a new trend, there are reasons to be optimistic. As we pointed out in our recent report on housing starts, builders have plenty of projects in the pipeline to meet demand and are likely to keep construction activity running on all cylinders for the foreseeable future. As more homes become available, we expect demand will remain strong and help boost sales later in 2021 and beyond. In other housing news this morning, the national Case-Shiller index rose 1.4% in August and is up 19.8% versus a year ago, tied for the fastest 12-month increase on record (dating back to 1975). Price gains were led by Phoenix and San Diego, with the slowest gains in Chicago and Minneapolis. The FHFA index, which tracks homes financed by conforming mortgages, rose 1.0% in August and is up 18.5% in the past year. On the manufacturing front, the Richmond Fed Manufacturing Index, which measures mid-Atlantic manufacturing sentiment, rose to +12 in October from -3 in September. The increase was primarily driven by a surge in new orders and an increase in order backlogs.



New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Sep-21		Aug-21	Jul-21	3-mo	6-mo	Yr to Yr
	% Ch	Level			moving avg	moving avg	% Change
New Single Family Homes Sales	14.0%	800	702	712	738	738	-17.6
Northeast	32.3%	41	31	25	32	34	7.9
Midwest	-1.5%	64	65	77	69	82	-34.0
South	17.5%	498	424	414	445	436	-11.7
West	8.2%	197	182	196	192	186	-27.6
Median Sales Price (\$, NSA)	1.8%	408,800	401,500	399,700	403,333	391,950	18.7
		Sep-21	Aug-21	Jul-21	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		5.7	6.5	6.2	6.1	5.8	4.9

Source: Bureau of the Census