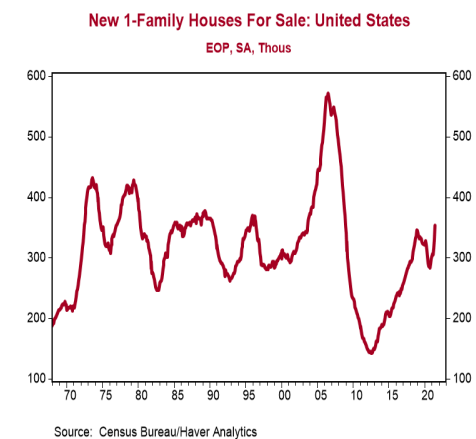
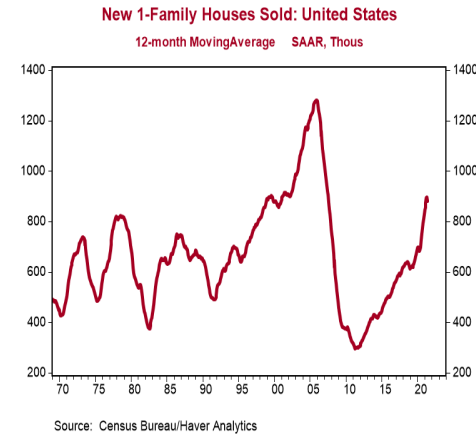


June New Home Sales

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- New single-family home sales fell 6.6% in June to a 0.676 million annual rate, well below the consensus expected 0.796 million. Sales are down 19.4% from a year ago.
- Sales in June fell in the Northeast, South, and West, but rose in the Midwest.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) rose to 6.3 in June from 5.5 in May. The gain was due to a slower pace of sales and a 23,000 unit increase in inventories.
- The median price of new homes sold was \$361,800 in June, up 6.1% from a year ago. The average price of new homes sold was \$428,700, up 12.2% versus last year.

Implications: New home sales continued to disappoint in June, posting a third consecutive monthly decline to come in below even the most pessimistic forecast by any economics group. New homes were sold at a torrid pace in the second half of 2020 into very early this year but have since declined substantially. Why have sales dropped? We think for two main intertwined reasons: a lack of supply of completed homes plus rapid price appreciation versus pre-COVID levels. Look for builders to ramp up construction in the year ahead, particularly once excess jobless benefits are finished, and for that added supply to facilitate more sales while slowing the pace of new home price appreciation. That said, 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 current inventory at today's sales pace) to 6.3 from record low readings of 3.5 in late 2020. However, almost all of this inventory gain continues to come from homes where construction has either not yet started or is still under way. Doing a similar calculation with just completed homes on the market shows a months' supply of only 0.6, near record lows going back to 1999. The good news is that the inventory of completed homes rose in June for the second month in a row after nearly a year straight of declines, and 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 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. Also, keep in mind that while sales are now back below where they were pre-COVID, there has been an extreme amount of volatility in sales since then. A good way to cut through that volatility and get a better picture of the health of the housing market is to look at a 12-month moving average. Using that measure sales remain near the fastest pace since 2007 despite recent declines, as the nearby chart shows.



New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Jun-21		May-21	Apr-21	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
New Single Family Homes Sales	-6.6%	676	724	785	728	812	-19.4
Northeast	-27.9%	31	43	42	39	42	-40.4
Midwest	5.7%	92	87	88	89	101	7.0
South	-7.8%	367	398	472	412	471	-24.8
West	-5.1%	186	196	183	188	199	-12.7
Median Sales Price (\$, NSA)	-5.0%	361,800	380,700	378,200	373,567	369,250	6.1
		Jun-21	May-21	Apr-21	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		6.3	5.5	4.8	5.5	4.8	4.2

Source: Bureau of the Census