

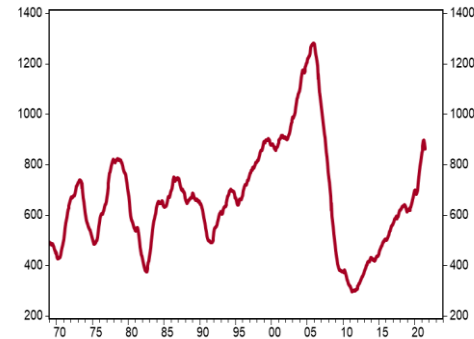
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## July New Home Sales

- New single-family home sales increased 1.0% in July to a 0.708 million annual rate, beating the consensus expected 0.697 million. Sales are down 27.2% from a year ago.
- Sales in July rose in the West and South, but fell in the Northeast and Midwest.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) rose to 6.2 in July from 6.0 in June. The gain was due to a 19,000 unit increase in inventories, which more than offset the faster pace of sales.
- The median price of new homes sold was \$390,500 in July, up 18.4% from a year ago. The average price of new homes sold was \$446,000, up 17.6% versus last year.

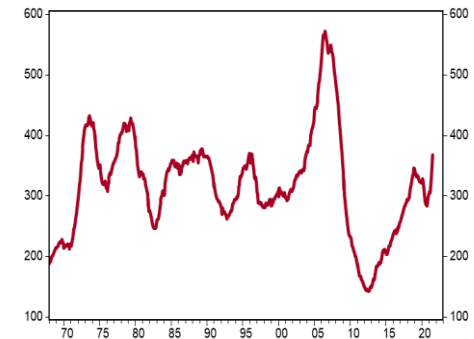
**Implications:** New home sales finally found some footing in July, rising for the first time in four months. That said, sales are still well below the January peak of 993,000. Why have sales dropped so far during 2021? We think for two main intertwined reasons: a lack of supply of completed homes plus 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. 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 current inventory at today's sales pace) to 6.2 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 July 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 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. 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. In other news today on the manufacturing front, the Richmond Fed Manufacturing Index, which measures mid-Atlantic manufacturing sentiment, fell unexpectedly to 9 in August from 27 in July. Looking at the details, declines in new orders, shipments, and local business conditions weighed on the overall index, signaling that worries about the Delta wave of COVID may be hitting the factory sector although it continues to grow.

**New 1-Family Houses Sold: United States**  
 12-month Moving Average SAAR, Thous



Source: Census Bureau/Haver Analytics

**New 1-Family Houses For Sale: United States**  
 EOP, SA, Thous



Source: Census Bureau/Haver Analytics

New Home Sales	Jul-21		Jun-21	May-21	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>1.0%</b>	<b>708</b>	701	720	710	770	-27.2
<b>Northeast</b>	<b>-24.1%</b>	<b>22</b>	29	43	31	37	-47.6
<b>Midwest</b>	<b>-20.2%</b>	<b>71</b>	89	84	81	93	-44.1
<b>South</b>	<b>1.3%</b>	<b>400</b>	395	408	401	449	-28.4
<b>West</b>	<b>14.4%</b>	<b>215</b>	188	185	196	192	-11.9
<b>Median Sales Price (\$, NSA)</b>	<b>5.5%</b>	<b>390,500</b>	370,200	387,300	382,667	374,367	18.4
		<b>Jul-21</b>	<b>Jun-21</b>	<b>May-21</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>6.2</b>	6.0	5.5	5.9	5.2	4.4

Source: Bureau of the Census