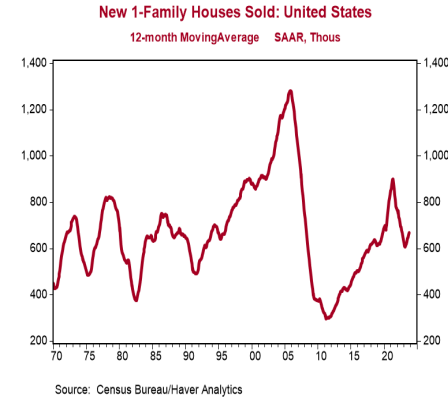


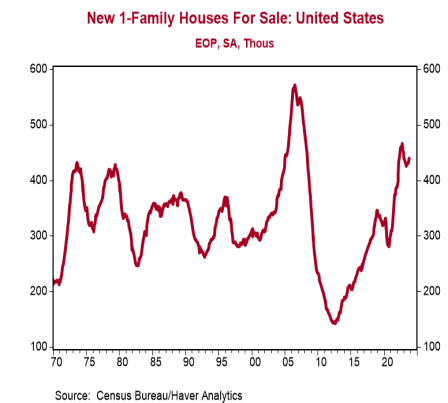
October New Home Sales

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- New single-family home sales declined 5.6% in October to a 0.679 million annual rate, below the consensus expected 0.721 million. Sales are up 17.7% from a year ago.
- Sales in October fell in the West and Midwest but rose in the Northeast and South.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) increased to 7.8 in October from 7.2 in September. The gain was due to both a slower pace of sales and a 6,000 unit increase in inventories.
- The median price of new homes sold was \$409,300 in October, down 17.6% from a year ago. The average price of new homes sold was \$487,000, down 10.4% versus last year.



Implications: New home sales continued to look choppy in October, taking a breather following a gain in September. Despite the 5.6% decline in October, sales have been in an upward trend in the past year and now sit 25.0% above the low in July of 2022. However, they also still remain well below the pandemic highs of 2020. The main issue with the US housing market remains affordability. Assuming a 20% down payment, the rise in mortgage rates since the Federal Reserve began its current tightening cycle amounts to a 31% increase in monthly payments on a new 30-year mortgage for the median new home. With 30-year mortgage rates currently sitting above 7.5%, financing costs remain a headwind. The good news for potential buyers is that the median sales price of new homes has fallen by 17.6% from the peak late last year. However, it's important to note that this drop in median prices is likely due to the mix of homes on the market including more lower priced options as developers complete smaller properties. Supply has also put more downward pressure on median prices for new homes than existing homes. The supply of completed single-family homes is up nearly 150% versus the bottom in 2022. This contrasts with the market for existing homes which continues to struggle with an inventory problem, often due to the difficulty of convincing current homeowners to give up the low fixed-rate mortgages they locked-in during the pandemic. But this does not mean that housing is getting more affordable per square foot, with the Census Bureau reporting median prices on this basis up 45% from 2019 to 2022, the most recent data available. Though not a recipe for a significant rebound, more inventories giving potential buyers a wider array of options will continue to put a floor under new home sales. One problem with assessing housing activity is that the Federal Reserve held interest rates artificially low for more than a decade. With rates now in a more normal range, the sticker shock on mortgage rates for potential buyers is very real. However, we have had strong housing markets with rates at current levels in the past, and homebuyers will eventually adjust.



New Home Sales	Oct-23		Sep-23	Aug-23	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	-5.6%	679	719	662	687	697	17.7
Northeast	13.2%	43	38	38	40	36	10.3
Midwest	-16.4%	51	61	62	58	65	8.5
South	2.1%	440	431	397	423	427	19.2
West	-23.3%	145	189	165	166	169	18.9
Median Sales Price (\$, NSA)	-3.1%	409,300	422,300	439,900	423,833	424,350	-17.6
		Oct-23	Sep-23	Aug-23	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		7.8	7.2	7.8	7.6	7.4	7.9

Source: Bureau of the Census