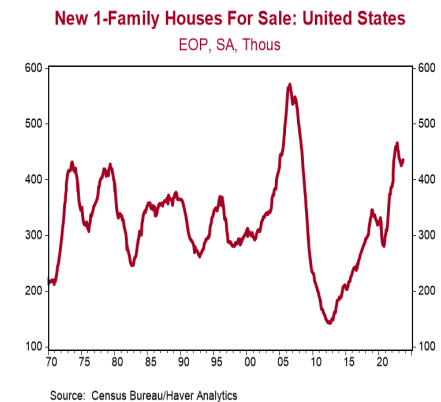
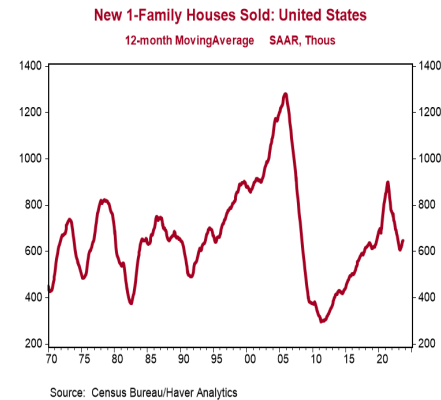


August New Home Sales

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- New single-family home sales declined 8.7% in August to a 0.675 million annual rate, lagging the consensus expected 0.698 million. Sales are up 5.8% from a year ago.
- Sales in August fell in the Midwest, West, and South, but rose in the Northeast.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) increased to 7.8 in August from 7.0 in July. The gain was due to both a slower pace of sales and a 5,000 unit increase in inventories.
- The median price of new homes sold was \$430,300 in August, down 2.3% from a year ago. The average price of new homes sold was \$514,000, down 3.2% versus last year.

Implications: New home sales remained choppy, posting a widely expected decline as the housing market tries to digest the recent rise in mortgage rates. Sales have generally been on an upward trend in the past year and are now 24.3% above the low in July of 2022. However, they 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 30% 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% for the first time in two decades, financing costs remain a headwind. The good news for potential buyers is that the median sales price of new homes has fallen by 13.4% from the peak late last year, which had, until recently, helped sales activity recover. 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. For example, the supply of completed single-family homes is up 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 help put a floor under sales activity. 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. In other news on home prices this morning, the national Case Shiller index and the FHFA index rose 0.6% and 0.8%, respectively, in July. Notably, both indices now show home prices at a new all-time high. In recent manufacturing news, the Richmond Fed index, a measure of mid-Atlantic factory activity, rebounded to +5.0 in September from -7.0 in August.



| New Home Sales | Aug-23 | | Jul-23 | Jun-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 | -8.7% | 675 | 739 | 684 | 699 | 688 | 5.8 |
| Northeast | 6.7% | 32 | 30 | 33 | 32 | 36 | 18.5 |
| Midwest | -17.2% | 77 | 93 | 58 | 76 | 73 | 24.2 |
| South | -7.5% | 383 | 414 | 439 | 412 | 409 | -9.2 |
| West | -9.4% | 183 | 202 | 154 | 180 | 171 | 44.1 |
| Median Sales Price (\$, NSA) | -1.4% | 430,300 | 436,600 | 416,700 | 427,867 | 426,817 | -2.3 |
| | | Aug-23 | Jul-23 | Jun-23 | 3-mo Avg | 6-mo Avg | 12-mo Avg |
| Months' Supply at Current Sales Rate (Levels) | | 7.8 | 7.0 | 7.5 | 7.4 | 7.5 | 8.3 |

Source: Bureau of the Census