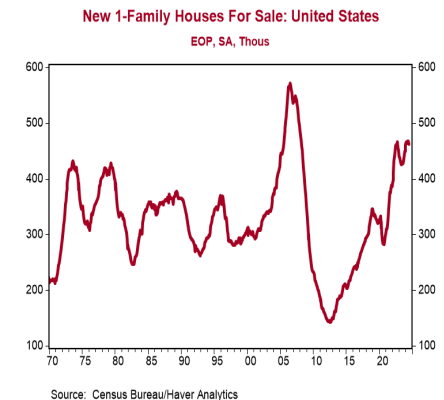
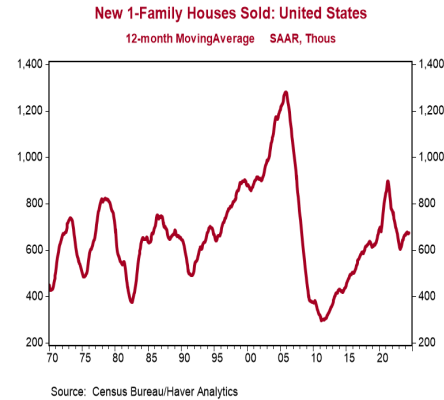


July New Home Sales

Bryce Gill – Economist
Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist

- New single-family home sales increased 10.6% in July to a 0.739 million annual rate, easily beating the consensus expected 0.623 million. Sales are up 5.6% from a year ago.
- Sales in July rose in all the major regions.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) fell to 7.5 in July. The drop was due to both the faster pace of sales and a 5,000 unit decline in inventories.
- The median price of new homes sold was \$429,800 in July, down 1.4% from a year ago. The average price of new homes sold was \$514,800, up 1.4% versus last year.

Implications: New home sales surged in July, easily beating consensus expectations and posting the largest monthly gain in nearly two years. However, while the 10.6% increase in July did push sales to the fastest pace since May 2023, that is roughly the same pace from 2019 before COVID. Now, with Federal Reserve Chair Jerome Powell all but confirming this morning that rate cuts will begin next month, a new upward trend may be starting for sales. Thirty-year fixed mortgage rates have already fallen roughly 70bps over the past couple months in anticipation of rate cuts, likely a reason for the large gain in sales in July. New home sales are a more timely barometer of the housing market because they are calculated when contracts are signed while existing homes are only counted after the sale is closed. Another piece of good news for potential buyers is that the median sales price of new homes has fallen 6.6% from the peak in 2022. It does look like a small part of this decline reflects a lower price per square foot as developers cut prices. The Census Bureau reports that from 2022 to 2023 (the most recent data available) the median price per square foot for single family homes sold fell 1.1%. While that decline is modest, it represents a stark reversal from the 45% gain from 2019 to 2022. That said, most of the 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 over 200% 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. In combination with more affordable financing, the abundance of inventories giving potential buyers a wider array of options will help fuel a rebound in new home sales. One problem with assessing housing activity is that the Federal Reserve held interest rates artificially low for more than a decade, and buyers started to believe those low rates were normal. With rates now reflecting true economic fundamentals, 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 as long as the job market remains strong and buyers understand that the past was a mirage, it's possible they will eventually adjust.



New Home Sales	Jul-24		Jun-24	May-24	3-mo	6-mo	Yr to Yr
	% Ch	Level			moving avg	moving avg	% Change
<i>All Data Seasonally Adjusted, Levels in Thousands</i>							
New Single Family Homes Sales	10.6%	739	668	666	691	689	5.6
Northeast	6.9%	31	29	22	27	33	3.3
Midwest	9.9%	89	81	84	85	83	17.1
South	2.9%	425	413	410	416	412	2.2
West	33.8%	194	145	150	163	162	9.0
Median Sales Price (\$, NSA)	3.1%	429,800	416,700	408,300	418,267	421,233	-1.4
		Jul-24	Jun-24	May-24	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		7.5	8.4	8.4	8.1	8.1	8.1

Source: Bureau of the Census