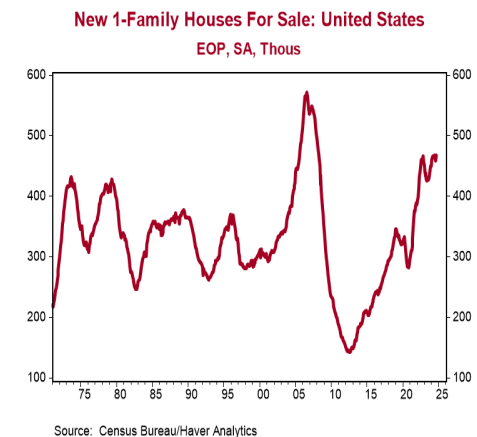
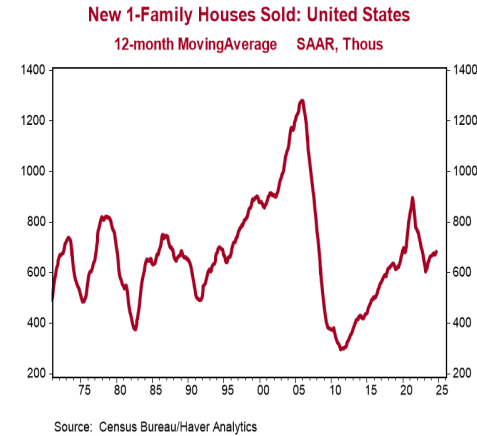


August New Home Sales

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

- New single-family home sales declined 4.7% in August to a 0.716 million annual rate, beating the consensus expected 0.700 million. Sales are up 9.8% from a year ago.
- Sales in August fell in the Northeast, West, and Midwest, but rose in the South.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) increased to 7.8 in August. The gain was due to both the slower pace of sales and an 8,000 unit increase in inventories.
- The median price of new homes sold was \$420,600 in August, down 4.6% from a year ago. The average price of new homes sold was \$492,700, down 7.1% versus last year.

Implications: New home sales took a breather in August, pulling back modestly following the largest monthly gain in nearly two years. The big question for the housing market is whether the Federal Reserve cutting rates will be enough to start a new upward trend in sales, or if buyers will continue to delay purchases in anticipation of even lower rates in the future. Thirty-year fixed mortgage rates have fallen roughly 100bps over the past couple months, but new home sales are still roughly where they were in 2019 before COVID. Given that new home sales are a timelier barometer of the housing market because they are calculated when contracts are signed while existing homes are only counted after the sale is closed, it doesn't look like lower rates have had a huge impact yet. That said, affordability has been improving across the board for potential buyers, with the median sales price of new homes down 8.6% 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. The combination of more affordable financing, lower prices, and the abundance of inventories giving potential buyers a wider array of options will help fuel a rebound in new home sales. In other recent housing news, home prices continued to rise in July. The Case-Shiller index rose 0.2% and is up 5.0% from a year ago. The FHFA index increased 0.1% and is up 4.6% from a year ago. In the manufacturing sector, the Richmond Fed index fell to -21 in September from -19 in August, highlighting weakness in that sector. Finally, the Federal Reserve released monthly figures on M2, showing it up 0.6% in August (the largest monthly gain since 2021) but still up only 2.0% in the past year. The faster gain in August signals that the Fed needs to be cautious with rate cuts if it wants to prevent a resurgence of inflation in 2025-26.



New Home Sales	Aug-24		Jul-24	Jun-24	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	-4.7%	716	751	681	716	707	9.8
Northeast	-27.3%	24	33	32	30	31	-33.3
Midwest	-5.8%	81	86	81	83	83	26.6
South	2.7%	459	447	414	440	432	18.0
West	-17.8%	152	185	154	164	161	-6.7
Median Sales Price (\$, NSA)	-2.0%	420,600	429,000	413,600	421,067	421,533	-4.6
		Aug-24	Jul-24	Jun-24	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		7.8	7.3	8.2	7.8	7.9	8.1

Source: Bureau of the Census