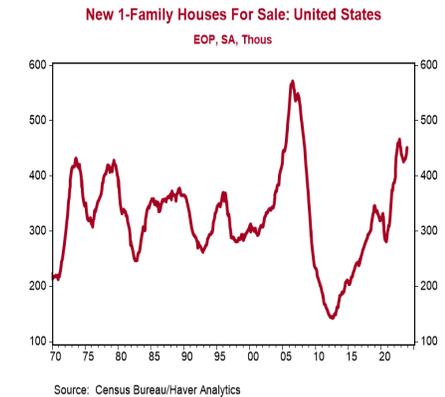
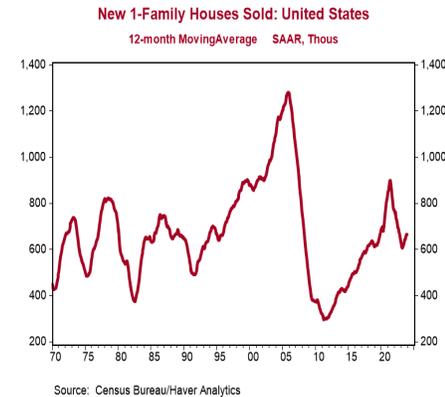


November New Home Sales

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- New single-family home sales declined 12.2% in November to a 0.590 million annual rate, well below the consensus expected 0.690 million. Sales are up 1.4% from a year ago.
- Sales in November fell in the South and West but rose in the Midwest and Northeast.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) increased to 9.2 in November from 7.9 in October. The gain was due to both a slower pace of sales and a 11,000 unit increase in inventories.
- The median price of new homes sold was \$434,700 in November, down 6.0% from a year ago. The average price of new homes sold was \$488,900, down 7.3% versus last year.



Implications: New home sales surprised to the downside in November, falling more than even the most pessimistic forecast of any economics group. Moreover, the 12.2% decline in November leaves the monthly sales pace at the slowest in a year, reversing the upward trend throughout the rest of 2023. Notably, today's report on new home sales is at odds with positive news elsewhere for the housing market in November, likely driven by 30-year fixed mortgage rates falling a full 50bps during the month. The main issue with the US housing market remains affordability, so it's likely November's bad headline number was a one-off rather than the beginning of a new trend. That said, it's not surprising that sales are up only 1.4% in the past year. Assuming a 20% down payment, the rise in mortgage rates since the Federal Reserve began its current tightening cycle amounts to a 32% increase in monthly payments on a new 30-year mortgage for the median new home. The good news for potential buyers is that the median sales price of new homes has fallen by 12.5% 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 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 <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Nov-23		Oct-23	Sep-23	3-mo	6-mo	Yr to Yr
	% Ch	Level			moving avg	moving avg	% Change
New Single Family Homes Sales	-12.2%	590	672	700	654	671	1.4
Northeast	3.1%	33	32	35	33	33	13.8
Midwest	25.0%	70	56	64	63	66	52.2
South	-20.9%	337	426	425	396	408	-8.4
West	-5.1%	150	158	176	161	164	7.9
Median Sales Price (\$, NSA)	4.8%	434,700	414,900	427,400	425,667	428,550	-6.0
		Nov-23	Oct-23	Sep-23	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		9.2	7.9	7.4	8.2	7.8	7.9

Source: Bureau of the Census