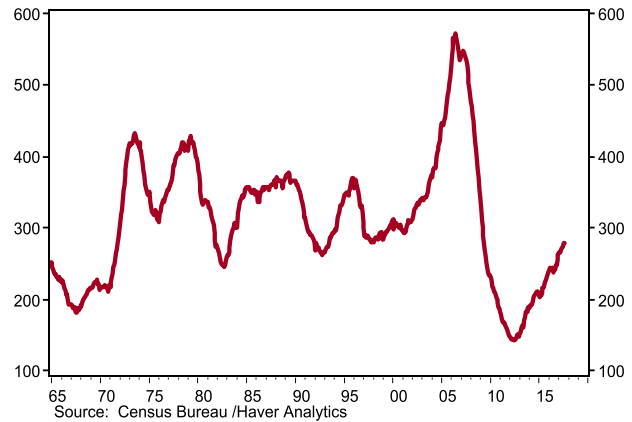# September New Home Sales

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- New single-family home sales increased 18.9% in September to a 667,000 annual rate, well above the consensus expected 554,000. Sales are up 17% from a year ago.

- Sales rose in all the major regions in September.

- The months' supply of new homes (how long it would take to sell the homes in inventory) fell to 5.0 months in September from 6.0 months in August. The decline was due entirely to a faster sales pace. Inventories remained unchanged in September.

- The median price of new homes sold was $319,700 in September, up 1.6% from a year ago. The average price of new homes sold was $385,200, up 5.2% versus last year.

Implications: New home sales exploded in September, growing at the fastest pace for any month in the past 25 years and hitting the highest level since 2007. Moreover, new home sale blew away even the most optimistic forecast by any economics group. Sales are now up 17% versus a year ago. Going forward, it's important to remember that new home sales are very volatile from month to month, but we expect the upward trend to continue. Most of the strength in September can be attributed to a bounce back in the South after the hurricanes suppressed sales in August. The South, accounted for 78% of the gain in the pace of homes sold nationwide. According to the Census Bureau, counties affected by the storms accounted for 14% of single-family homes authorized in 2016, demonstrating the outsized importance of these areas on the headline number. Notably, 92% of the increase in sales in September came from homes where construction had either yet to start or was still underway, as both new buyers and those looking to replace homes that were destroyed in the storms jumped on future prospective properties. At the same time, the only portion of inventories that saw a gain was homes where construction hadn't started yet; overall inventories remained unchanged. This paired with the big jump in the pace of sales pushed the months' supply – how long it would take sell all homes in the inventory – back down to 5 months, tying its lowest level of the year. All of this means there's plenty of room for builders to continue to expand future construction. Going forward, there are a few key reasons we are maintaining a positive outlook on housing. First, job gains continue, which should put continued upward pressure on wage growth. Second, credit standards in the mortgage market are thawing. Third, the homeownership rate remains depressed as a larger share of the population is renting, leaving plenty of potential buyers as economic conditions continue to improve. Look for the upward trend in new home sales to continue in the next few years, which means more room for construction and inventories as well. In other housing news this morning, the FHFA index, which measures prices for homes financed with conforming mortgages, increased 0.7% in August and is up 6.6% in the past year, roughly matching the 6.5% gain in the year ending in August 2016.
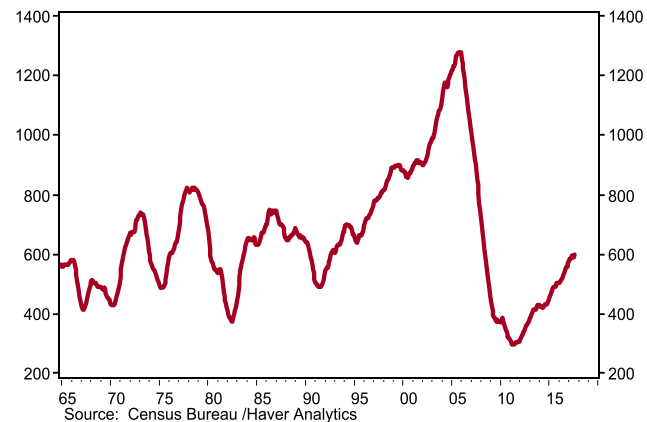
New 1-Family Houses For Sale: United States
SA, Thous

Source: Census Bureau /Haver Analytics

New 1-Family Houses Sold: United States
12-month MovingAverage   SAAR, Thous

Source: Census Bureau /Haver Analytics

New Home Sales	Sep-17		Aug-17	Jul-17	3-mo	6-mo	Yr to Yr
All Data Seasonally Adjusted, Levels in Thousands	% Ch	Level			moving avg	moving avg	% Change
New Single Family Homes Sales	18.9%	**667**	561	582	603	604	17.0
Northeast	33.3%	**48**	36	40	41	41	54.8
Midwest	10.6%	**73**	66	67	69	68	-2.7
South	25.8%	**405**	322	325	351	343	23.1
West	2.9%	**141**	137	150	143	152	4.4
Median Sales Price ($, NSA)	5.2%	**319,700**	303,800	323,600	315,700	316,167	1.6
	Sep-17	Aug-17	Jul-17	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)	5.0	6.0	5.6	5.5	5.5	5.3

Source: Bureau of the Census