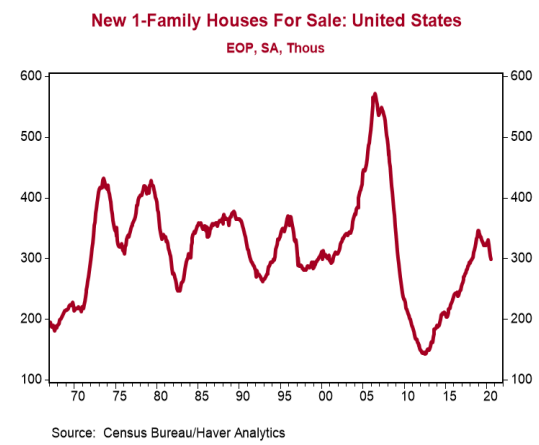
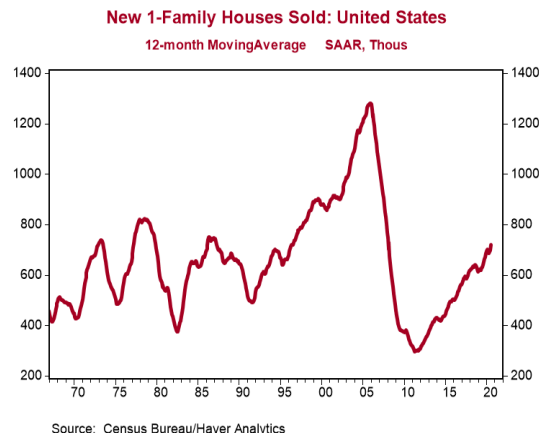


July New Home Sales

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- New single-family home sales increased 13.9% in July to a 901,000 annual rate, easily beating the consensus expected 790,000. Sales are up 36.3% from a year ago.
- Sales rose in the Midwest, South and West, but fell in the Northeast.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) fell to 4.0 months in July from 4.6 months in June. The decline was due to both the faster pace of sales and a decrease in inventories of 5,000 units.
- The median price of new homes sold was \$330,600 in July, up 7.2% from a year ago. The average price of new homes sold was \$391,300, up 4.8% versus last year.

Implications: New home sales soared in July, posting a third consecutive monthly gain, easily beating consensus expectations, and hitting the fastest pace since 2006. As we wrote in [yesterday's Monday Morning Outlook](#), it looks like the housing revival is well underway. Remarkably, new home sales are now 16.4% higher than the January high before COVID-19 hit the US economy. A couple of factors should continue to keep new home sales strong in the months ahead. First, affordability; near zero interest rates from the Federal Reserve have helped reduce 30-year fixed mortgage rates below 3% for the first time on record. Second, due to the pandemic and urban unrest, buyers' preferences look to be shifting away from units in denser urban environments, toward the more spacious options in the suburbs where most new single-family homes are built. Finally, there is still pent up demand from potential buyers whose purchases were temporarily disrupted by lockdowns and widespread economic uncertainty in the wake of the pandemic. However, a lack of finished new homes waiting for buyers could be a headwind for sales going forward. In the past year, the only portion of the inventory of unsold new homes that has increased are homes where construction has yet to start. Meanwhile, the inventory of unsold homes that are either under construction or finished is still down from a year ago. Given the downward pressure that social distancing regulations, shortages of labor, and supply chain issues continue to exert on new construction, we do not expect an oversupply of homes anytime soon. This is reflected in the months' supply (how long it would take to sell today's inventory at the current sales pace) of new homes for sale, which fell to 4.0 in July from 4.6 in June, tying the lowest level since 2004. As a result, home prices should continue to rebound in the next several months. For example, the national Case-Shiller home price index rose 0.2% in June and is up 4.3% from a year ago, an acceleration from the 3.2% gain in the year ending in June 2019. In the past twelve months, prices were up the most in Phoenix and up the least in Chicago. Meanwhile, the FHFA index, which measures prices for homes financed by conforming mortgages, rose 0.9% in June and is up 5.7% from a year ago, an acceleration from the gain of 5.0% in the twelve months ending in June 2019. Finally, on the manufacturing front, the Richmond Fed index rose to +18 in August from +10 in July, the highest reading since late 2018, signaling continued improvement in the factory sector.



New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Jul-20		Jun-20	May-20	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
New Single Family Homes Sales	13.9%	901	791	687	793	713	36.3
Northeast	-23.1%	40	52	30	41	35	25.0
Midwest	58.8%	127	80	75	94	85	81.4
South	13.0%	513	454	406	458	409	27.6
West	7.8%	221	205	176	201	184	40.8
Median Sales Price (\$, NSA)	-1.9%	330,600	337,000	312,900	326,833	325,100	7.2
		Jul-20	Jun-20	May-20	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		4.0	4.6	5.4	4.7	5.5	5.4

Source: Bureau of the Census