

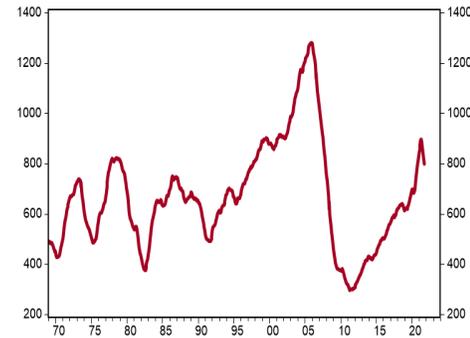
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October New Home Sales

- New single-family home sales increased 0.4% in October to a 0.745 million annual rate, below the consensus expected 0.800 million. Sales are down 23.1% from a year ago.
- Sales in October rose in the Midwest and South but fell in the Northeast and West.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) rose to 6.3 in October from 6.1 in September. The gain was due to an increase in inventories which more than offset the faster pace of sales.
- The median price of new homes sold was \$407,700 in October, up 17.5% from a year ago. The average price of new homes sold was \$477,800, up 21.1% versus last year.

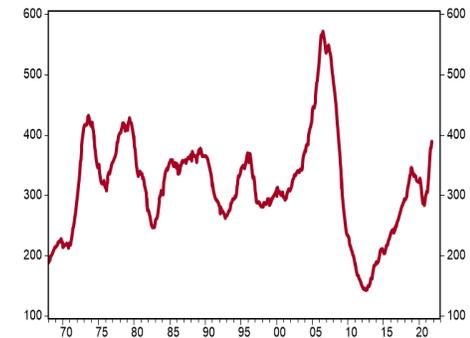
Implications: New home sales in October rose for the second month in a row. However large downward revisions to prior months means there wasn't much to celebrate in today's report. If September's sales pace was still at the original reading of 0.800 million, October's headline gain of 0.4% would have instead been a decline of 6.9%. Despite those downward revisions, the pace of sales is still up 9.1% from the recent bottom in June 2021, returning to an upward trend and signaling that the housing market has found its footing after a series of weak reports earlier this year. That said, sales are still well below the January peak of 993,000. Why? We think for two main intertwined reasons: a lack of supply of completed homes plus rapid price appreciation versus pre-COVID levels. The good news is that builders have been ramping up activity, with the total number of single-family homes under construction currently at the highest levels since 2007. Ultimately, that added supply will facilitate more sales while slowing the pace of new home price appreciation. In the meantime, buyers are still stuck dealing with very few options when it comes to completed homes. It's true that overall inventories have been rising recently and now sit at the highest level since 2008. This has pushed up the months' supply (how long it would take to sell the current inventory at today's sales pace) to 6.3 from a record low reading of 3.5 in late 2020. However, almost all of this inventory gain is from homes where construction has either not yet started or is still underway. Doing a similar calculation with only completed homes on the market shows a months' supply of a meager 0.6, near the lowest level on record back to 1999. The good news is that the inventory of completed homes has been rising recently after nearly a year straight of declines. While it's too early to say if this represents a new trend, there are reasons to be optimistic. Builders have plenty of projects in the pipeline to meet demand and are likely to keep construction activity running on all cylinders for the foreseeable future. As more homes become available, we expect demand will remain strong and help boost sales later in 2021 and beyond. In other news this morning, new orders for durable goods fell 0.5% in October. However, the decline was mostly attributable to the volatile aircraft sector. Excluding transportation equipment, durable goods orders rose 0.5%, the eighth consecutive increase. Moreover, shipments of core capital goods excluding aircraft (a good proxy for business investment) rose 0.3% in October. These shipments are now up 16.4% from pre-pandemic levels, signaling a huge uptick in capital expenditures that should help boost productivity growth in the years ahead.

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



Source: Census Bureau/Haver Analytics

New 1-Family Houses For Sale: United States
 EOP, SA, Thous



Source: Census Bureau/Haver Analytics

New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Oct-21		Sep-21	Aug-21	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
New Single Family Homes Sales	0.4%	745	742	693	727	717	-23.1
Northeast	-11.8%	30	34	31	32	32	-26.8
Midwest	11.0%	81	73	64	73	79	-28.3
South	0.2%	450	449	423	441	423	-16.7
West	-1.1%	184	186	175	182	182	-33.1
Median Sales Price (\$, NSA)	0.7%	407,700	404,700	407,600	406,667	398,517	17.5
		Oct-21	Sep-21	Aug-21	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		6.3	6.1	6.6	6.3	6.1	5.1

Source: Bureau of the Census