

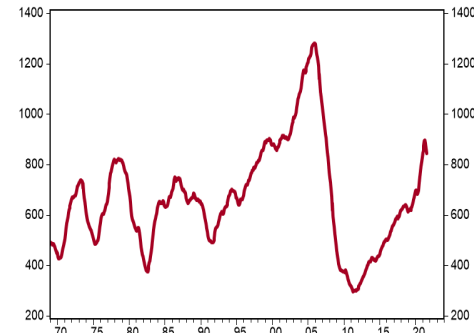
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August New Home Sales

- New single-family home sales increased 1.5% in August to a 0.740 million annual rate, beating the consensus expected 0.715 million. Sales are down 24.3% from a year ago.
- Sales in August rose in the Northeast, South, and West, but fell in the Midwest.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) rose to 6.1 in August from 6.0 in July. The gain was due to a 12,000 unit increase in inventories, which more than offset the faster pace of sales.
- The median price of new homes sold was \$390,900 in August, up 20.1% from a year ago. The average price of new homes sold was \$443,200, up 14.7% versus last year.

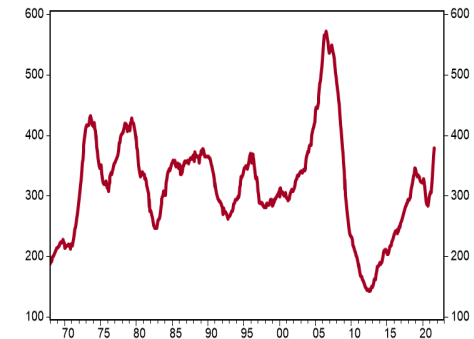
Implications: New home sales rose for the second month in a row in August, a sign that the housing market may have found its footing after a series of weak reports earlier this year. Moreover, July's sales pace was revised up significantly which made the headline gain of 1.5% in August look less impressive than it actually was. Without that upward revision, August would have posted an increase of 4.5%. That said, sales are still well below the January peak of 993,000. So, why have sales generally been slowing so far during 2021? We think for two main intertwined reasons: a lack of supply of completed homes plus rapid price appreciation versus pre-COVID levels. Look for builders to ramp up construction in the year ahead, particularly now that excess jobless benefits are finished, and for that added supply to 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 6.1 from a record low reading of 3.5 in late 2020. However, almost all of this inventory gain continues to come from homes where construction has either not yet started or is still underway. Doing a similar calculation with just completed homes on the market shows a months' supply of only 0.6, near record lows going 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. As we pointed out in our [recent report on housing starts](#), 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 recent news, initial jobless claims rose 16,000 last week to 351,000. Meanwhile continuing claims increased 131,000 to 2.845 million. With the end of additional unemployment benefits nationally earlier this month, all eyes will be on the jobs recovery as we move into the final quarter of 2021. Finally, on the manufacturing front, the Kansas City Fed Manufacturing Index, which measures manufacturing sentiment in that region, fell to a still robust 22 in September from 29 in August.

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	Aug-21		Jul-21	Jun-21	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	1.5%	740	729	685	718	759	-24.3
Northeast	26.1%	29	23	28	27	35	-37.0
Midwest	-31.1%	51	74	86	70	85	-46.9
South	6.0%	445	420	391	419	449	-23.0
West	1.4%	215	212	180	202	191	-16.3
Median Sales Price (\$, NSA)	0.0%	390,900	390,900	375,700	385,833	380,683	20.1
		Aug-21	Jul-21	Jun-21	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		6.1	6.0	6.1	6.1	5.4	4.6

Source: Bureau of the Census