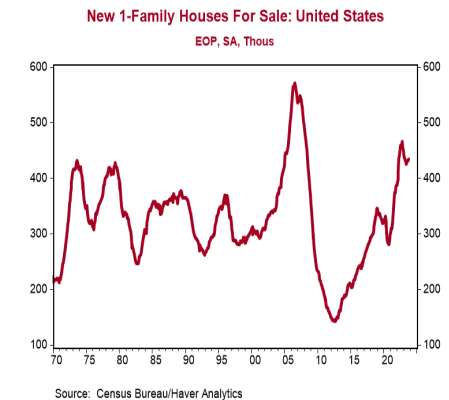
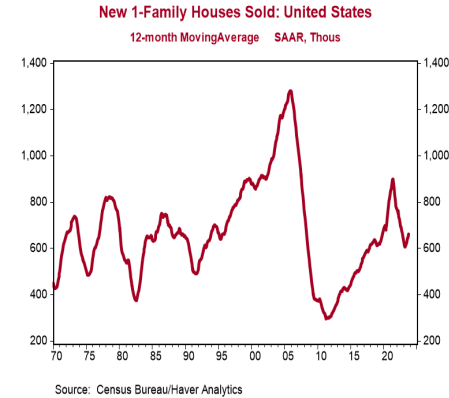


September New Home Sales

Bryce Gill – Economist
Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist

- New single-family home sales increased 12.3% in September to a 0.759 million annual rate, easily beating the consensus expected 0.680 million. Sales are up 33.9% from a year ago.
- Sales in September rose in all the major regions.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) declined to 6.9 in September from 7.7 in August. The drop was entirely due to a faster pace of sales. Inventories increased by 3,000 units in September.
- The median price of new homes sold was \$418,800 in September, down 12.3% from a year ago. The average price of new homes sold was \$503,900, down 4.9% versus last year.



Implications: New home sales posted the largest monthly gain in more than a year in September, beating even the most optimistic forecast of any economics group. Today's gain adds to the upward trend in sales in the past year, which are now 39.8% above the low in July of 2022. However, they still remain well below the pandemic highs of 2020. The main issue with the US housing market remains affordability. Assuming a 20% down payment, the rise in mortgage rates since the Federal Reserve began its current tightening cycle amounts to a 30% increase in monthly payments on a new 30-year mortgage for the median new home. With 30-year mortgage rates currently sitting above 7.5% for the first time in two decades, financing costs remain a headwind. The good news for potential buyers is that the median sales price of new homes has fallen by 15.7% 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 new homes than existing homes. The supply of completed single-family homes is up nearly 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 help put a floor under sales activity. 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. We also got data on the M2 money supply yesterday which declined 0.3% in September and is down 3.6% from a year ago. Monetary policy operates with a lag, and we are likely to feel the negative economic effects of these declines in the months ahead. In recent manufacturing news, the Richmond Fed index, a measure of mid-Atlantic factory activity, slipped to +3.0 in October from +5.0 in September.

New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Sep-23		Aug-23	Jul-23	3-mo	6-mo	Yr to Yr
	% Ch	Level			moving avg	moving avg	% Change
New Single Family Homes Sales	12.3%	759	676	736	724	707	33.9
Northeast	22.5%	49	40	27	39	36	63.3
Midwest	4.7%	67	64	85	72	69	4.7
South	14.6%	456	398	429	428	428	29.9
West	7.5%	187	174	195	185	174	53.3
Median Sales Price (\$, NSA)	-3.3%	418,800	433,100	434,800	428,900	423,783	-12.3
		Sep-23	Aug-23	Jul-23	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		6.9	7.7	7.0	7.2	7.3	8.0

Source: Bureau of the Census