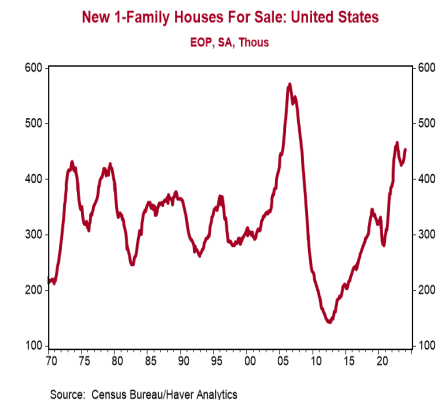
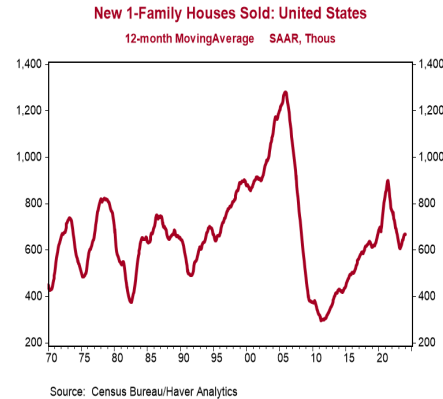


# December New Home Sales

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

- New single-family home sales increased 8.0% in December to a 0.664 million annual rate, beating the consensus expected 0.649 million. Sales are up 4.4% from a year ago.
- Sales in December rose in the Northeast, South and Midwest, but fell in the West.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) declined to 8.2 in December from 8.8 in November. The drop was entirely due to a faster pace of sales. Inventories rose by 4,000 units in December.
- The median price of new homes sold was \$413,200 in December, down 13.8% from a year ago. The average price of new homes sold was \$487,300, down 14.3% versus last year.

**Implications:** New home sales wrapped up 2023 on a healthy note, rising 8.0% in December. Despite a general downward trend since the summer, sales activity for 2023 as a whole was up 4.2% from the previous year. Notably, this is the first annual gain since 2020 when COVID shutdowns and work-from-home spurred a boom in demand for single-family homes. The main issue with the US housing market remains affordability, so 30-yr fixed mortgage rates falling roughly 1% due to anticipation of Fed rate cuts in 2024 should help boost sales activity going forward. That said, higher financing costs are still taking a bite out of buyer's purchasing power. Assuming a 20% down payment, the rise in mortgage rates since the Federal Reserve began its current tightening cycle amounts to a 19% increase in monthly payments on a new 30-year mortgage for the median new home. The good news for potential buyers is that the median sales price of new homes has fallen by 20.2% from the peak in 2022. 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 median prices for new homes than existing homes. The supply of completed single-family homes is up 160% 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 continue to put a floor under new home sales. 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.



New Home Sales	Dec-23		Nov-23	Oct-23	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
<i>All Data Seasonally Adjusted, Levels in Thousands</i>							
<b>New Single Family Homes Sales</b>	<b>8.0%</b>	<b>664</b>	615	676	652	673	4.4
<b>Northeast</b>	<b>32.0%</b>	<b>33</b>	25	34	31	32	-2.9
<b>Midwest</b>	<b>9.2%</b>	<b>71</b>	65	57	64	68	6.0
<b>South</b>	<b>10.6%</b>	<b>419</b>	379	433	410	413	3.7
<b>West</b>	<b>-3.4%</b>	<b>141</b>	146	152	146	160	7.6
<b>Median Sales Price (\$, NSA)</b>	<b>-3.0%</b>	<b>413,200</b>	426,000	414,600	417,933	426,100	-13.8
		<b>Dec-23</b>	<b>Nov-23</b>	<b>Oct-23</b>	<b>3-mo Avg</b>	<b>6-mo Avg</b>	<b>12-mo Avg</b>
<b>Months' Supply at Current Sales Rate (Levels)</b>		<b>8.2</b>	8.8	7.8	8.3	7.9	7.9

Source: Bureau of the Census