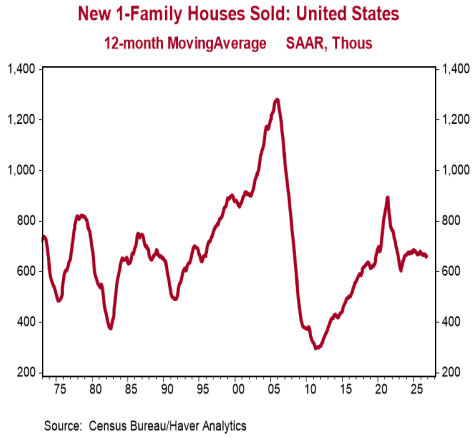
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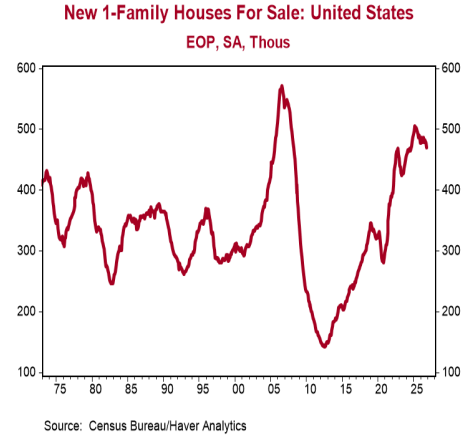
October New Home Sales

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- New single-family home sales increased 14.2% in October to a 701,000 annual rate, easily beating the consensus expected 650,000. Sales are up 7.5% from a year ago.
- Sales in October rose in the South but declined in the Northeast, West, and Midwest.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) declined to 8.0 in October. The drop was due to both a faster pace of sales and a 7,000 unit decline in inventories.
- The median price of new homes sold was $391,300 in October, down 3.2% from a year ago. The average price of new homes sold was $459,900, down 12.1% versus last year.



Source: Census Bureau/Haver Analytics



Source: Census Bureau/Haver Analytics

Implications: New home sales pulled off a holiday miracle in October, posting the largest monthly gain in nearly a year to hit the fastest sales pace so far in 2026. Unfortunately, the details were weaker than the headline. Most of October's 14.2% gain was due to a large downward revision to September. Without that October sales would have risen a much more modest 3.7%. Moreover, all the gain for the month came from the South where sales spiked 36.2%, the largest monthly gain for that region since 1980! Given the volatility in new home sales data, we expect this to reverse next month. Big picture, sales are now at an annual pace of 701,000, right around pre-pandemic levels, which has been a ceiling of sorts for activity the past couple of years. The biggest headwind remains financing costs. First, higher energy costs and inflation this year have driven up the average 30-yr fixed mortgage rate, which has risen roughly 130 basis points since March. Second, the Federal Reserve has begun hiking interest rates again, which will disproportionately impact the already weak housing sector. But while buyers are unlikely to get much help from interest rates, the good news is that prices have been trending lower for new builds in the past several years. Median sales prices are down 15% from the peak in October 2022. Meanwhile, the Census Bureau reports that from Q3 2022 to Q3 2026 (the most recent data available) the median square footage for new single-family homes built fell 6.9%. So, buyers are seeing a drop in the price per square foot, not just smaller/lower cost options. This is partially the result of developers offering incentives to buyers in order to move inventory. Supply has also put more downward pressure on median prices for new homes than existing homes. The supply of completed single-family homes has been trending down recently but is still up 260% versus the bottom in 2022. This contrasts with the market for existing homes, which continues to struggle to convince current homeowners to give up the low fixed-rate mortgages they locked-in during the pandemic. While financing costs continue to add uncertainty and keep buyers on the sidelines, less expensive options and an abundance of inventories may give home sales a modest boost in the year ahead. In other recent housing news, the FHFA index was unchanged in September but is up 2.6% in the past year, while the national Case-Shiller index increased 0.2% in September and is up 2.1% in the past year. We also got data on pending home sales last week (contracts on existing homes), which fell 4.7% in October following a 7.2% decline in September, suggesting further weakness in existing home sales (counted at closing) in November. Finally we would like to wish all of our readers a Happy Thanksgiving and let you know we will be closed tomorrow as we celebrate with those who are most important to us. We hope you all have a great time with friends and family as well.

New Home Sales *All Data Seasonally Adjusted, Levels in Thousands*	Oct-26 % Ch	 Level	Sep-26	Aug-26	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
New Single Family Homes Sales	**14.2%**	**701**	614	680	665	659	7.5
Northeast	**-40.0%**	**15**	25	24	21	28	-63.4
Midwest	**-9.4%**	**77**	85	96	86	80	-10.5
South	**36.2%**	**515**	378	441	445	429	24.7
West	**-25.4%**	**94**	126	119	113	123	-16.1
Median Sales Price ($, NSA)	**-0.3%**	**391,300**	392,600	388,900	390,933	399,050	-3.2
		Oct-26	**Sep-26**	**Aug-26**	**3-mo Avg**	**6-mo Avg**	**12-mo Avg**
Months' Supply at Current Sales Rate (Levels)		**8.0**	9.3	8.5	8.6	8.8	8.8

Source: U.S. Census Bureau

This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.