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July New Home Sales

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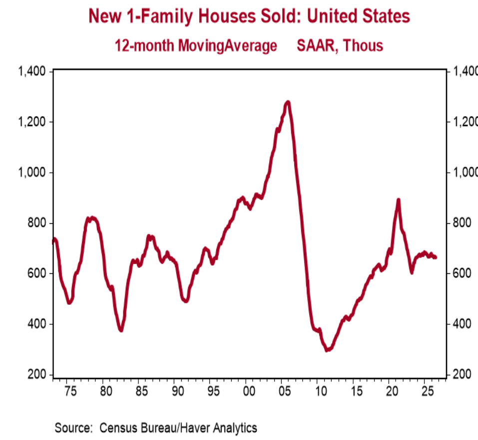
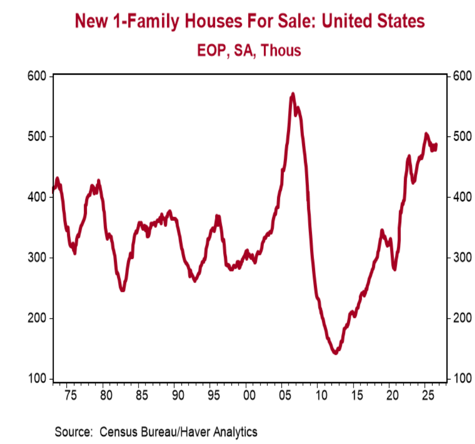
- New single-family home sales declined 10.5% in July to a 607,000 annual rate, below the consensus expected 620,000. Sales are down 6.3% from a year ago.
- Sales in July fell in the Midwest and South, but rose in the Northeast and West.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) rose to 9.6 in July. The gain was driven by both a slower pace of sales and a 9,000 unit increase in inventories.
- The median price of new homes sold was $393,800 in July, down 0.9% from a year ago. The average price of new homes sold was $508,800, up 5.4% versus last year.





Implications: New homes sales were softer than expected in July, posting the weakest reading since the start of 2026. Sales are now at an annual pace of 607,000, coming in at the lower end of pre-pandemic levels, which has been a ceiling of sorts for activity the past couple of years. Unfortunately, the ongoing conflict with Iran and its impact on energy prices and inflation have introduced new challenges. First, financing costs have risen, with the average 30-yr fixed mortgage rate up roughly 60 basis points since the start of the conflict. Second, despite a new Chairman at the Federal Reserve, further rate cuts are on hold for the time being. 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 14.4% from the peak in October 2022. Meanwhile, the Census Bureau reports that from Q3 2022 to Q2 2026 (the most recent data available) the median square footage for new single-family homes built rose 2.5%. 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 280% versus the bottom in 2022. This contrasts with the market for existing homes, which continues to struggle with convincing current homeowners to give up the low fixed-rate mortgages they locked-in during the pandemic to list their homes. 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 second half of 2026. In other housing news this morning, the FHFA index remained unchanged in June but is up 2.3% in the past year, while the national Case-Shiller index increased 0.1% in June and is up 1.5% in the past year. On the employment front, initial jobless claims fell last week by 6,000 to 206,000; continuing claims rose 18,000 to 1.799 million. These figures signal continued job growth. Finally, on the manufacturing front, the Richmond Fed index, a measure of mid-Atlantic factory activity, slipped to +4 in August from +5 in July.

New Home Sales	Jul-26		Jun-26	May-26	3-mo	6-mo	Yr to Yr
All Data Seasonally Adjusted, Levels in Thousands	% Ch	Level			moving avg	moving avg	*% Change*
New Single Family Homes Sales	**-10.5%**	**607**	678	630	638	641	-6.3
Northeast	**30.3%**	**43**	33	30	35	31	95.5
Midwest	**-42.7%**	**43**	75	82	67	72	-50.6
South	**-13.0%**	**383**	440	382	402	397	-5.2
West	**6.2%**	**138**	130	136	135	141	2.2
***Median Sales Price** (\$, NSA)*	**-2.3%**	**393,800**	403,100	416,400	404,433	406,617	-0.9
		Jul-26	**Jun-26**	**May-26**	**3-mo Avg**	**6-mo Avg**	**12-mo Avg**
Months' Supply at Current Sales Rate (Levels)		**9.6**	8.5	9.3	9.1	9.1	8.8

Source: U.S. Census Bureau