August New Home Sales

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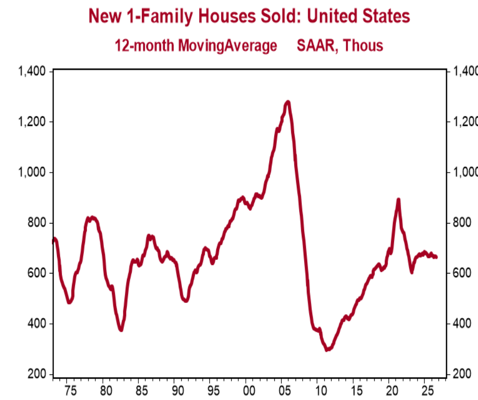
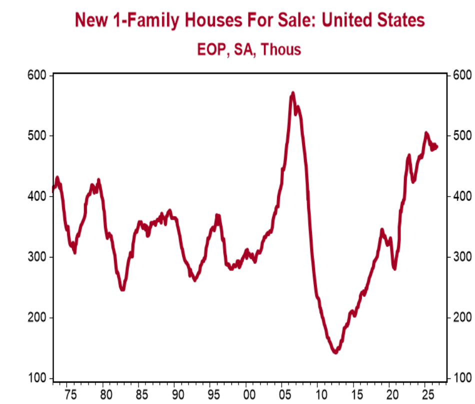
- New single-family home sales increased 6.4% in August to a 684,000 annual rate, easily beating the consensus expected 618,000. Sales are down 2.0% from a year ago.
- Sales in August rose in the Midwest and South, but fell in the Northeast and West.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) fell to 8.5 in August. The drop was driven entirely by a faster pace of sales. Inventories remained unchanged in August.
- The median price of new homes sold was $393,700 in August, down 5.8% from a year ago. The average price of new homes sold was $478,700, down 8.8% versus last year.





Source: Census Bureau/Haver Analytics

Implications: New home sales rebounded in August, hitting the fastest pace so far this year. Sales are now at an annual pace of 684,000, right around pre-pandemic levels, which has been a ceiling of sorts for activity the past couple of years. Unfortunately, ongoing conflicts in the Strait of Hormuz and between Russia and Ukraine are having upward impacts on energy prices and inflation which have introduced new challenges. First, financing costs have risen, with the average 30-yr fixed mortgage rate up roughly 100 basis points since early this year. 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 14.5% 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 260% 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 through the end of 2026. On the employment front, initial jobless claims fell last week by 1,000 to 197,000; continuing claims rose 2,000 to 1.719 million. These figures signal continued job growth. On the manufacturing front, the Richmond Fed index, a measure of mid-Atlantic factory activity, slipped to -2 in September from +4 in August, while the Kansas City Fed Index rose to +14 in September from +10 in August. Finally, the M2 measure of the money supply grew 0.5% in August and is up 5.7% from a year ago. This remains below the 6% growth trend prior to COVID, when inflation remained low.

New Home Sales *All Data Seasonally Adjusted, Levels in Thousands*	Aug-26 % Ch	 Level	Jul-26	Jun-26	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
New Single Family Homes Sales	**6.4%**	**684**	643	672	666	656	-2.0
Northeast	**-36.1%**	**23**	36	31	30	30	-20.7
Midwest	**84.9%**	**98**	53	78	76	77	22.5
South	**6.9%**	**451**	422	438	437	415	3.4
West	**-15.2%**	**112**	132	125	123	134	-26.8
Median Sales Price ($, NSA)	**0.4%**	**393,700**	392,200	406,400	397,433	403,500	-5.8
		Aug-26	**Jul-26**	**Jun-26**	**3-mo Avg**	**6-mo Avg**	**12-mo Avg**
Months' Supply at Current Sales Rate (Levels)		**8.5**	9.0	8.6	8.7	8.8	8.8

Source: U.S. Census Bureau