

U.S. Data Review

- New home sales: back-to-back declines leave a subdued pace of activity
- Inventories: elevated amid sluggish sales

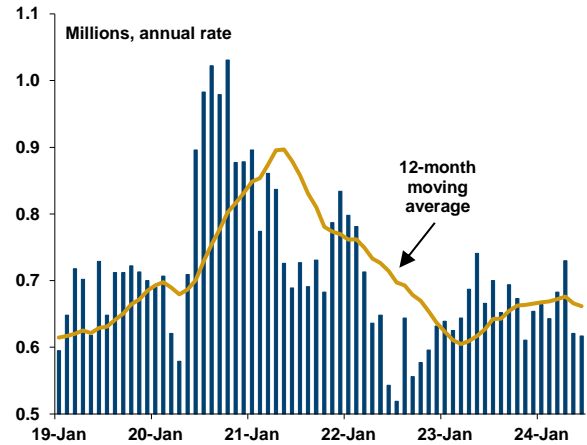
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New Home Sales

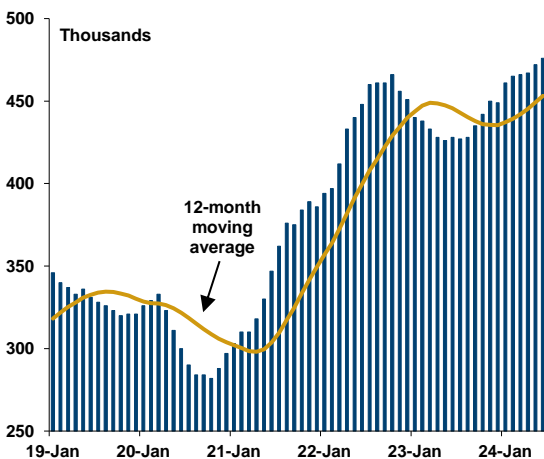
- Sales of new homes slipped 0.6 percent to 0.617 million units, annual rate, in June after a plunge of 14.9 percent in the prior month. Revisions to prior months' data were favorable, with the 0.730 million annualized sales in April 6.7 percent firmer than previously reported, but the subsequent softening erased all of the upwardly adjusted gain and left sales tilting lower in the past year (versus a sideways trend amid marked month-to-month volatility; chart). Affordability constraints, tight lending standards, and dimmer views regarding the economic outlook are all likely contributing to a sluggish performance in the housing market.
- Despite a slowing in sales, the median sales price rose 2.5 percent to \$417,300 (not seasonally adjusted) after declines in the previous two months. On a year-over-year basis, prices slid 0.1 percent. The average sales price in June fell 3.4 percent, which translated to a more noticeable year-over-year contraction of 4.1 percent. Evidently, softening conditions in demand for new homes are carrying through to prices—a contrast to developments in the market for existing homes where tight inventories are supporting higher prices (i.e. a median sales price of \$426,900 in the existing home market in June, up 4.1 percent from year-ago levels).
- The inventory of unsold homes rose 0.8 percent to 0.476 million in June (+11.2 percent year-over-year), the sixth consecutive increase (chart, below left). Inventories remained below those during the peak of the housing bubble, but they are undoubtedly at concerning levels and suggest that builders will exercise caution in initiating new projects to slow further increases in available stock. The slowing in sales and gain in inventories contributed to a 0.2 month increase in the months' supply of homes available for sale to 9.3 months. The latest reading is off recent highs (10.6 months in July 2022), but it is comparable to observations during the acute housing slowdown in 2008-09 (chart, below right).

New Home Sales



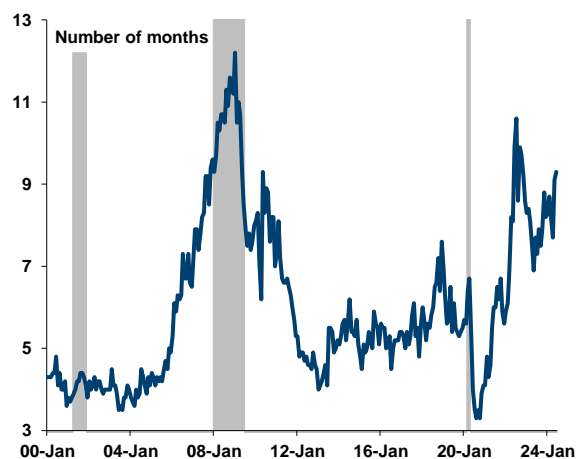
Source: U.S. Census Bureau via Haver Analytics

Inventory of Unsold New Homes



Source: U.S. Census Bureau via Haver Analytics

Months' Supply of Unsold Homes*



* The shaded areas indicate periods of recession in the United States.

Sources: National Bureau of Economic Research, U.S. Census Bureau via Haver Analytics

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