

U.S. Data Review

- New home sales: partial retracement in August after a burst in the prior month
- Inventories: stock of units available for sale remains elevated

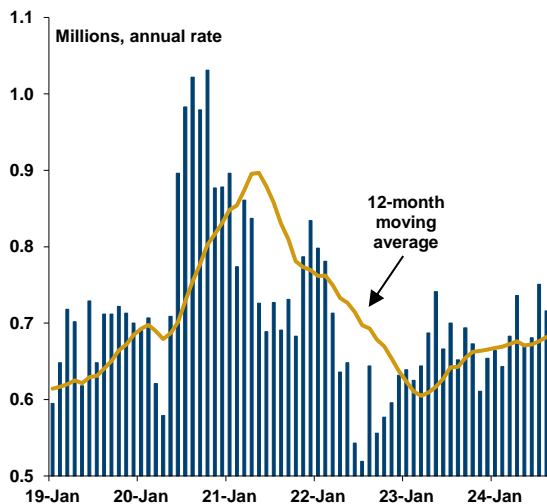
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New Home Sales

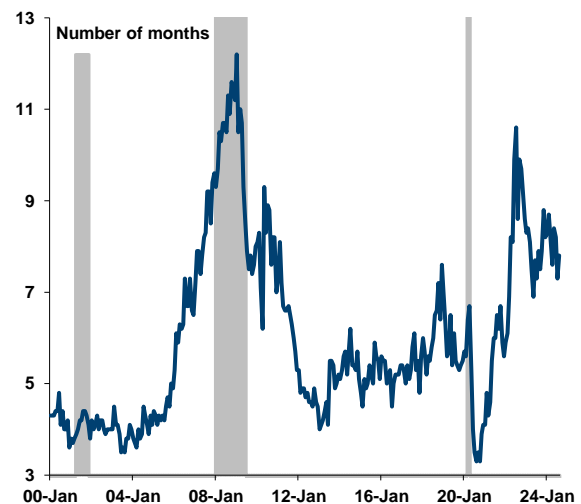
- Sales of new homes slipped 4.7 percent to 0.716 million units, annual rate, in August after a burst of 10.3 percent in the prior month (associated with a year-over-year increase of 9.8 percent). The latest result was down from that in the prior month but above the Bloomberg median expectation of a 0.700 million annualized pace of activity. Additionally, revisions to prior months' data were favorable, including annualized sales of 0.751 million July, a reading 1.6 percent firmer than previously reported.
- Sales are often volatile on a month-to-month basis, although they have moved essentially sideways since early 2023 after hitting a soft patch in 2022 (see the 12-month average on the chart, below left). Affordability constraints, tight lending standards, and murky views regarding the economic outlook are all likely contributing to the restrained performance in the housing market compared to that earlier in the expansion (although recent readings are comparable to those in years leading up to the pandemic). That said, the initiation of the monetary policy easing cycle last week by the Federal Reserve could pave the way for a pickup in sales as lower mortgage rates broaden the pool of potential buyers.
- In tandem with the decline in sales, the median sales price dropped 2.0 percent to \$420,600 (not seasonally adjusted), its fourth decline in the past five months. On a year-over-year basis, prices slid 4.6 percent, its seventh consecutive annual decline. The average sales price in August fell 3.1 percent, which translated to a more notable year-over-year contraction of 7.1 percent. That is to say, constrained demand and elevated inventories are contributing to some moderation in prices in this segment of the housing market.
- The inventory of unsold new homes rose 1.7 percent to 467,000 in August (+9.1 percent year-over-year), the sixth increase in the first eight months of 2024. While, inventories remain below those during the peak of the housing bubble in 2005-07, they remain elevated from a longer-term perspective. Thus, builders could be compelled to exercise restraint in initiating new projects to dial back any further increases in available stock. On balance, the slowing in sales and uptick in inventories contributed to a 0.5 month increase in the months' supply of unsold homes available for sale to 7.8 months. The latest reading is off the recent high of 8.7 months last February and the cycle peak of 10.6 months in July 2022, but it is still in the upper end of the longer-run range (chart, below right).

New Home Sales



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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