

U.S. Data Review

- New home sales: surge in August concentrated in the South; prices ease; inventories remain elevated

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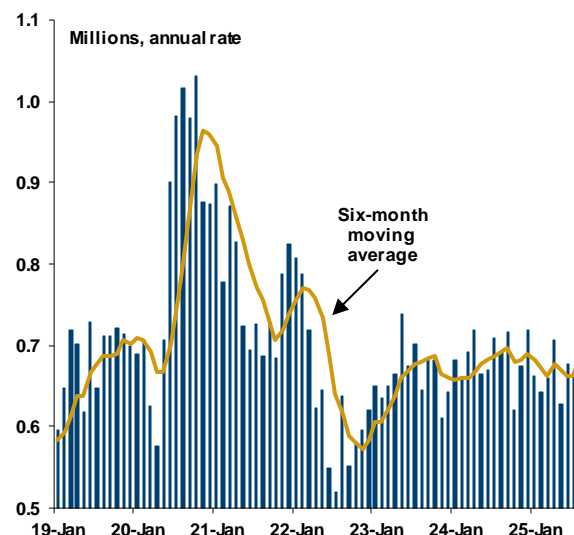
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New Home Sales

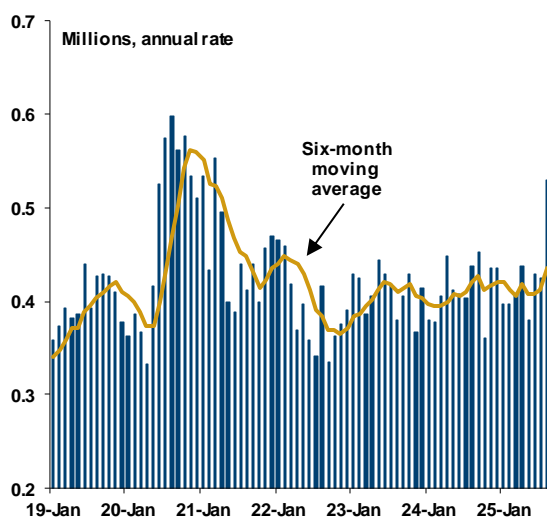
- Sales of new homes surged 20.5 percent to 0.800 million units, annual rate, in August (+15.4 percent year-over-year; chart, right), exceeding all estimates submitted to Bloomberg economist survey and the highest observation recorded since January 2022. While all four subregions posted increases, the improvement in activity was concentrated primarily in the South, which jumped 0.105 million units to 0.530 million (+24.7 percent month-to-month) – the strongest result since March 2021, which far exceeded the underlying trend (0.412 million, annual rate, average in the trailing six months; chart, below left). Performances in other regions were favorable but far from outliers – those in the West and Northeast were within the ranges of the past few years while sales in the Midwest were at the top of the recent range. That said, considering soft builder sentiment (as measured by the National Association of Home Builders; chart, below right), and still-restrained activity in mortgage applications for a home purchase, the latest read, in our view, doesn't seem consistent with current economic realities (i.e., a generally sluggish housing market).

New Home Sales



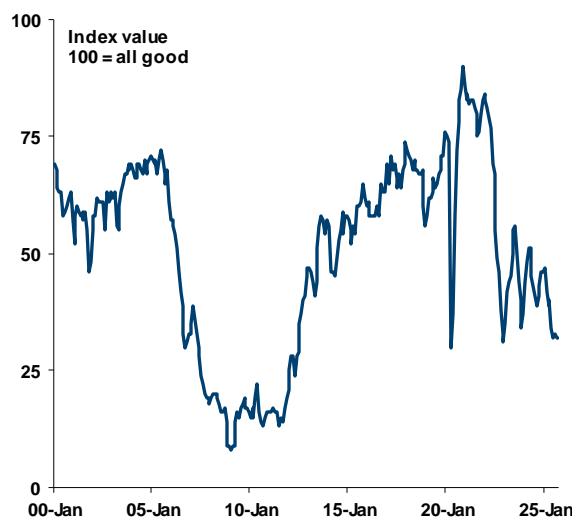
Source: U.S. Census Bureau via Haver Analytics

New Home Sales: South



Source: U.S. Census Bureau via Haver Analytics

Home Builders: Housing Market Index

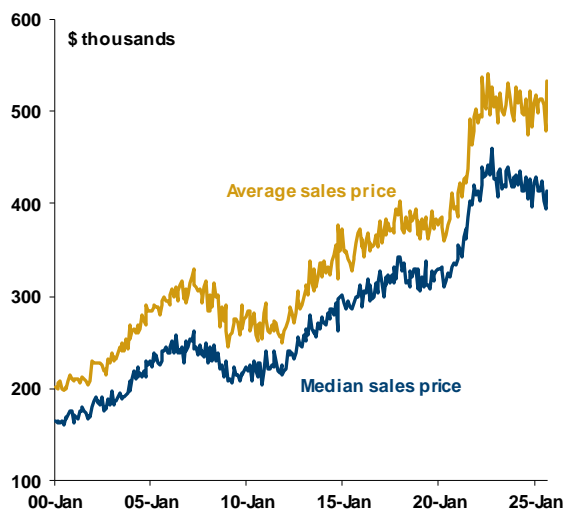


Source: National Association of Home Builders via Haver Analytics

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- Moreover, keep in mind that this series is inherently volatile (range of -11.2 to +20.5 percent in the past six months), with revisions often large. Additionally, with a 90 percent confidence interval of ± 21.8 percent, a relatively high degree of uncertainty surrounds the latest estimate. Observing this series through a six-month moving average (0.663 million units in the trailing six-month period ending July), however, can help smooth out short-term fluctuations and discern underlying trends: after easing between mid-2021 to early-2023, sales tilted higher on balance and have since leveled out at a pace similar to what was seen just prior to the onset of COVID. Thus, we wouldn't be surprised if the August bounce is ultimately revised lower in subsequent releases.
- In August, the median sales price rose 4.7 percent to \$413,500 (not seasonally adjusted). On a year-over-year basis, prices advanced 1.9 percent. Concurrently, the average sales price jumped 11.7 percent to \$534,100 (+12.3 percent year-over-year). In context, affordability remains a key constraint on the broader housing market, even with price metrics showing signs of moderation in recent months (chart, below left).
- The inventory of unsold new homes fell 1.4 percent to 0.490 million units in August (not annualized; +4.0 percent year-over-year), its third consecutive decline. Inventories remain below the highs seen during the housing bubble crisis of the mid-2000s, but they are still elevated from a long-term perspective. While the latest increase in sales contributed to a 1.6 month decrease in the months' supply of unsold homes to 7.4 months, it is only somewhat below the cycle high of 10.6 months in July 2022, highlighting an ongoing supply overhang for builders (chart, below right).

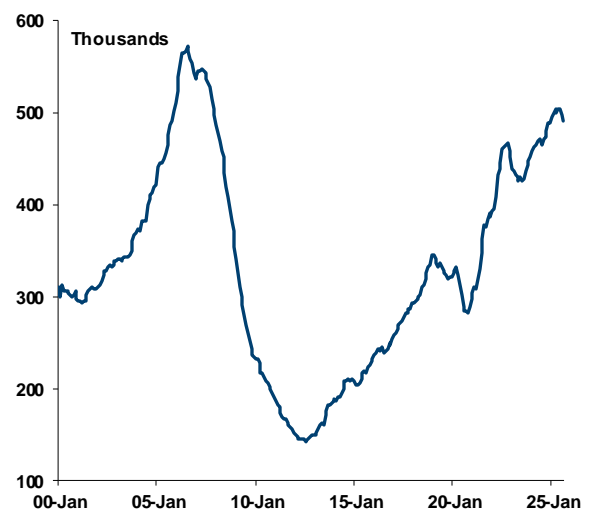
Sales Price of New Homes*



* Not seasonally adjusted

Source: U.S. Census Bureau via Haver Analytics

Inventory of Unsold New Homes



Source: U.S. Census Bureau via Haver Analytics