

Economic Indicator — October 26, 2021

## New Home Sales Surge in September

### Summary

#### Home Buying Appears to be Picking Up Again

Concerns that a slowdown in housing activity was underway appear to have been unwarranted. New home sales easily topped expectations and jumped 14.0% to a 800K-unit pace during September, the strongest since March. The robust gain in new home sales follows last week's news of a similarly strong upturn in existing home sales during September. Taken together, these reports offer evidence that buyer demand remains strong and is picking up again, even amid fast-rising prices and low inventory levels.

September's strong gain in new home sales provides the first sign that the many supply constraints currently affecting builders may be starting to ease. Since peaking in the spring, lumber prices have come down markedly. Lumber accounts for a significant share of the overall cost of new home construction, so builders are likely under less pressure to pass on rising costs through higher prices. During September, the median selling price of a new home was up 18.7% over the year, a more moderate increase compared to the 23.3% realized the month prior.

While builders may be finding ways to navigate around the mounting supply-side challenges, it is by no means smooth sailing. Tangled supply chains caused by shortages of shipping containers, cargo space and transportation workers have led to increasingly long lead-times for procuring many building materials. The inability to find qualified workers has compounded the issue, leading to extended project timelines and delayed completions. The number of new homes for sale at the end of September was essentially unchanged at 379K, which is the highest level since 2008. The bulk of the increase in new home inventories over the past few months, however, has been in homes that have not been started or homes that are still under construction. Still, buyers appear unfazed by the lack of completed homes currently available for sale. Sales of homes not yet started rose 27.1% to a 263K-unit pace during the month.

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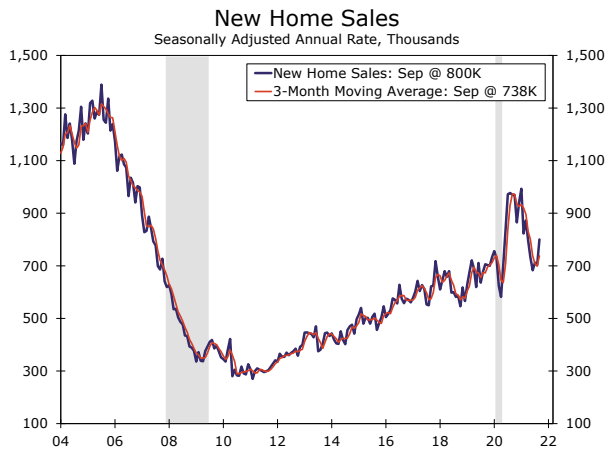
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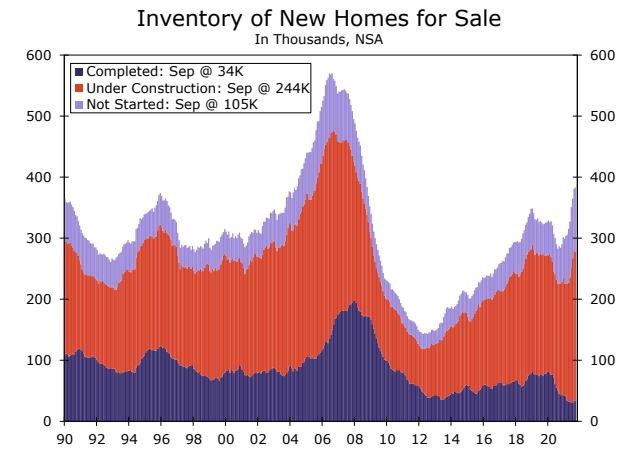
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## Sales Soar in September

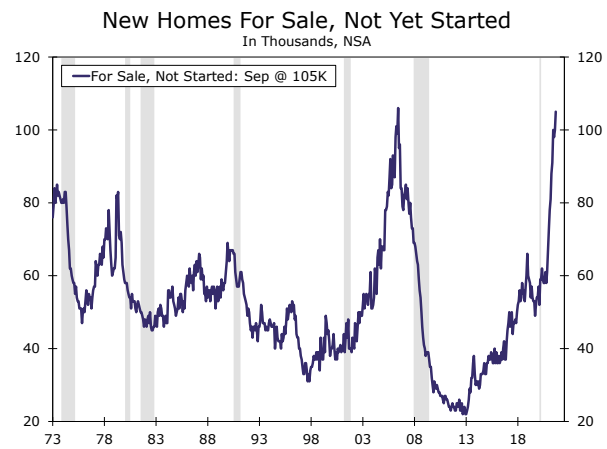
- The monthly surge in sales, which easily topped consensus estimates, is a sign that builders are finding ways to navigate around shortages of building materials and qualified labor. Sales of completed homes increased to a 207K-unit pace, a six-month-high.
- The robust pace of activity will calm concerns that the slowdown in sales experienced during the spring would extend throughout the remainder of the year.
- The number of homes for sale at the end of the month held steady at 379K. Much of the recent inventory gain, however, has been in homes that have not yet been started or homes that are still under construction.
- The number of homes put up for sale that have not yet been started rose to 105K, the highest since 2006. This suggests that supply-side headwinds are still delaying projects and preventing completions.
- Underlying demand remains strong and buyers appear unfazed by the lack of completed homes available. Sales of homes not yet started rose 27.1% to a 263K-unit pace during the month.
- Other evidence of easing supply constraints is that builders are raising prices at slightly slower rate. During September, the median price was up 18.7% over the year, a more moderate increase compared to the 23.3% realized the month prior.
- The migration from the Northeast and West to the Sun Belt region appears to be bolstering sales at the upper end of the price spectrum. The share of home sales that were \$500,000 or greater rose to 31% in September, up from just 18% for all of 2020.
- Sales improved in the Northeast (32.3%), South (17.5%) and West (8.2%) but declined slightly in the Midwest (-1.5%).



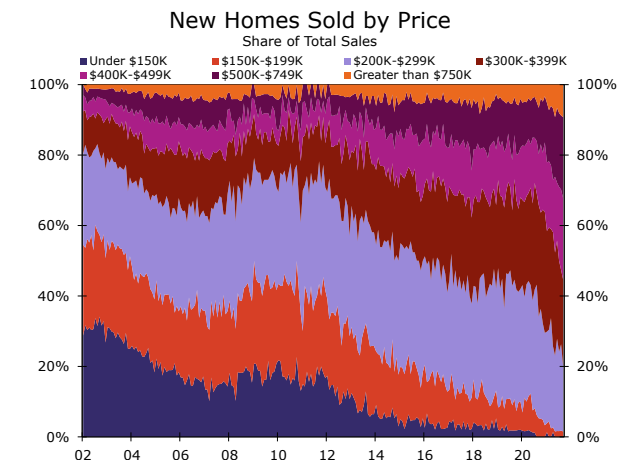
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