

Economic Indicator — January 13, 2026

New Home Sales Picked Up in September and October Inventory Still Elevated Despite Boost in Sales from Lower Rates and Incentives

Summary

New home sales picked up in September and October alongside slightly lower mortgage rates and a step-up in builder incentives. The increase in the pace of sales only led to a modest decline in inventory, however. All told, builders will likely remain cautious on significantly ramping up production given the still-elevated count of unsold homes.

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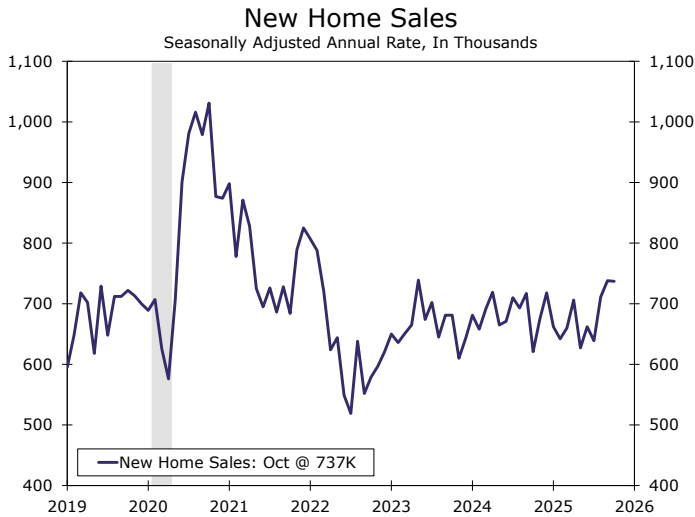
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Lower Mortgage Rates and Incentives Bolster New Home Sales

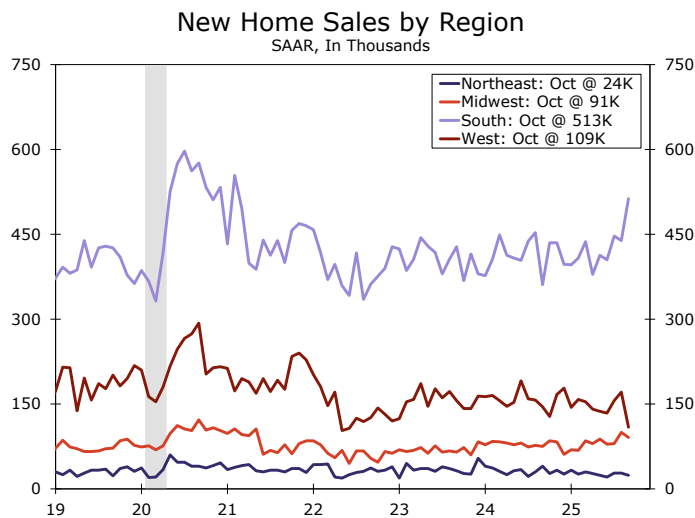
New home sales appear to be benefiting from the recent easing in mortgage rates. Although sales were essentially unchanged in October at a 737K annual pace, robust improvements in both August and September lifted the pace of transactions near its highest level since May 2023.



Source: U.S. Department of Commerce and Wells Fargo Economics

The South Drives Overall Gain

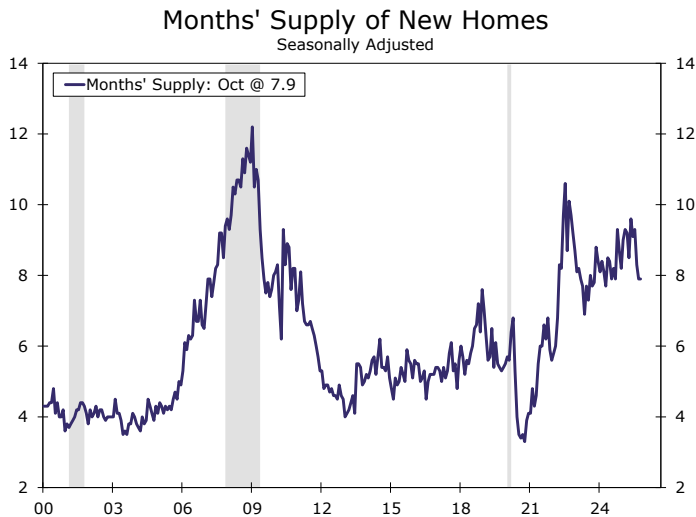
The South is responsible for the bulk of recent sales gains, where new home inventory is most plentiful following a post-pandemic construction boom. The Midwest also registered its second-fastest sales pace of the year in October. But not every region posted the same pickup in sales. In October, new home sales were essentially flat in the Northeast and plunged in the West to the lowest level since July 2022.



Source: U.S. Department of Commerce and Wells Fargo Economics

Inventory Still Elevated

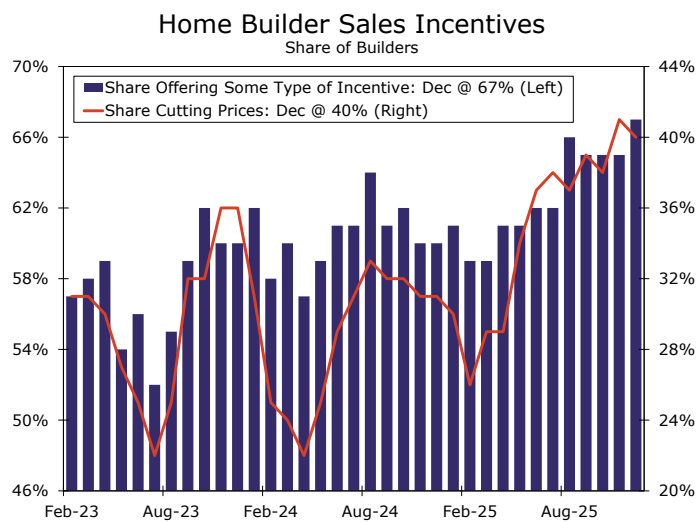
The recent pick up in purchases has helped to reduce new home inventory somewhat. However, builders are still facing an elevated inventory-to-sales ratio. New home supply could sustain 7.9 months of sales at October's sales pace, well above the 5.5-month average from 2015 to 2019.



Source: U.S. Department of Commerce and Wells Fargo Economics

Incentives on the Rise

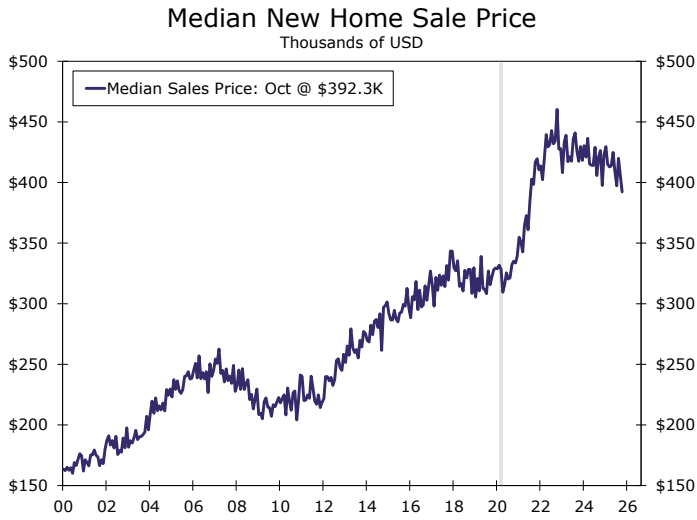
Although modestly lower mortgage rates have aided buyer affordability, growing use of price cuts reveal that builders are facing increasing pressure to move inventory. Forty percent of builders reported cutting prices in December, the second-highest share since 2020. Meanwhile, 67% used sales incentives of any kind, the greatest percentage in the post-COVID period.



Source: NAHB and Wells Fargo Economics

Discounts Weighing on Prices

Slower demand and increased use of incentives are weighing on new home prices. The median new home price fell 8.0% year-over-year in October. At \$392.3K, it is now at its lowest level since July 2021.



Source: U.S. Department of Commerce and Wells Fargo Economics

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