

Economic Indicator — September 24, 2021

## New Home Sales Advance in August

### Summary

#### Sales Improve Despite Supply Headwinds

New home sales rose 1.5% to a 740,000-unit pace during August. The modest pick-up in sales continues to show that underlying demand for homes remains strong. The slight pull-back in sales experienced this spring and early summer likely had more to do with builders struggling to build enough homes to show prospective buyers. It is challenging to sell a home when you are unable to tell a buyer when that home will be completed. Lumber prices have come down from the exorbitant levels seen this spring. Other key building materials, however, remain in short supply, which is delaying new starts and preventing projects from wrapping up. An uptick in the already lofty NAHB/Wells Fargo Housing Market Index (HMI) for the month of September, which was released separately this week, provides additional evidence that builders are still overwhelmingly optimistic, even with supply-side headwinds.

Economist(s)

#### Mark Vitner

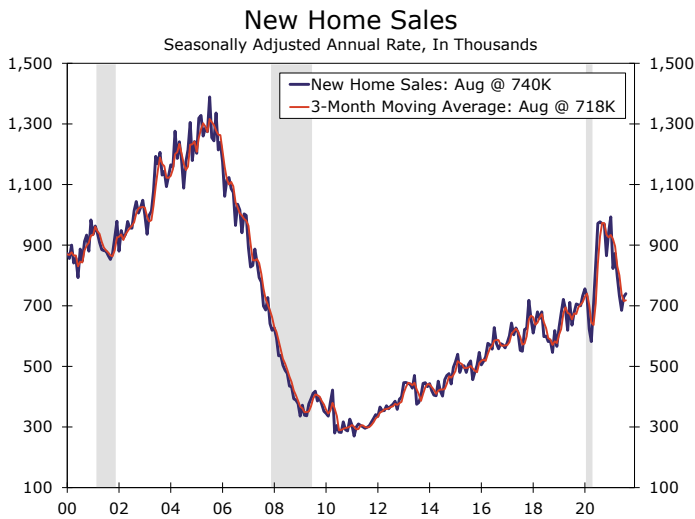
Senior Economist | Wells Fargo Securities, LLC  
Mark.Vitner@wellsfargo.com | 704-410-3277

#### Charlie Dougherty

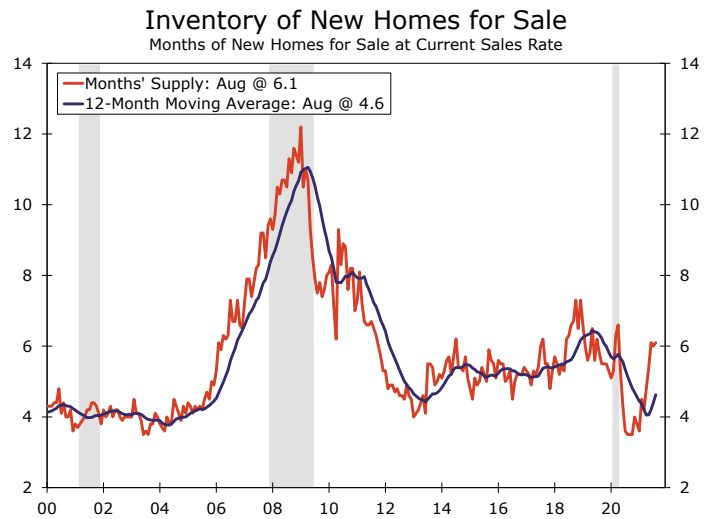
Economist | Wells Fargo Securities, LLC  
Charles.Dougherty@wellsfargo.com | 704-410-6542

## Sales of New Homes Strengthen in August

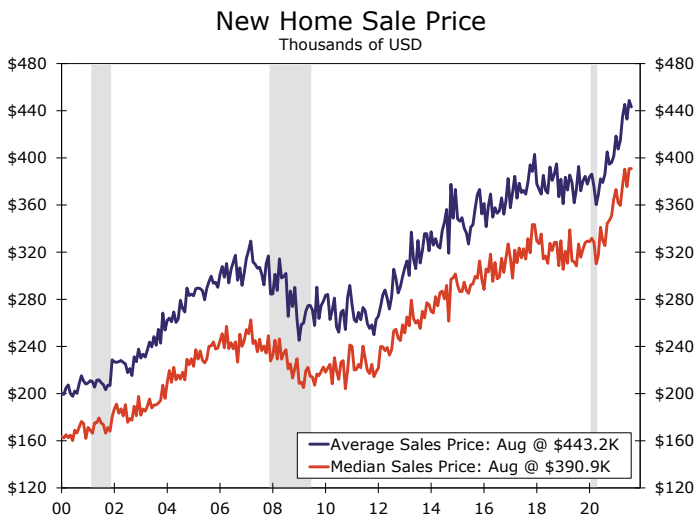
- The 740,000 unit pace registered during the month is the fastest since April. Sales have cooled down compared to the feverish pace seen in late 2020 and early 2021. Despite some moderation recently, the overall pace of sales is still very strong relative to before the pandemic. For context, there were 683,000 new homes sold in 2019.
- Revisions show sales were significantly stronger than first reported in July, with sales increasing 6.4% during the month.
- Sales would likely be even stronger if builders were able to procure the parts and labor needed to complete single-family projects. The number of homes sold that have not been started yet rose to 263,000 during the month. Meanwhile, sales of completed homes fell 14% to 166,000 units.
- Inventory levels improved again in August. The number of homes for sale at the end of the month rose 3.3% to 378,000. Much of the inventory gain, however, was in homes that have not been started or homes that are still under construction.
- Prices are still rising rapidly. On a year-over-year basis, the median new home price rose 20.1% to \$390,900 in August. This translates to an increase of \$65,400 over the past year.
- Sales jumped 26.1% in the Northeast during the month, while the Midwest saw a 31.1% decline. The West and South rose 1.4% and 6.0%, respectively.



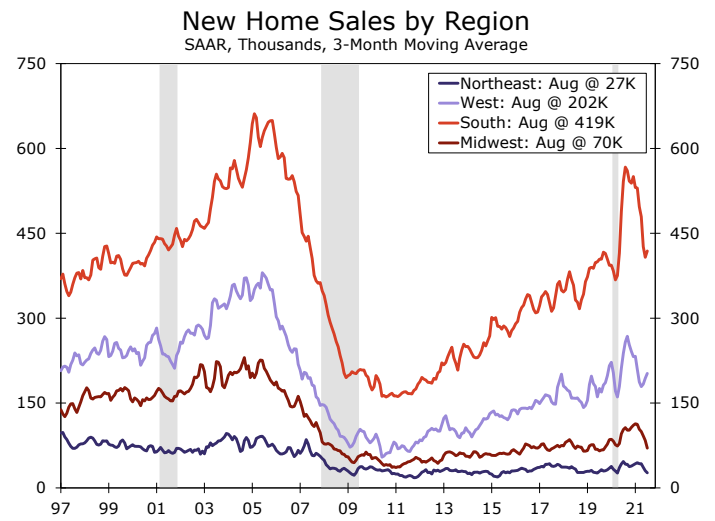
Source: U.S. Department of Commerce and Wells Fargo Securities



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



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



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

**Subscription Information**

To subscribe please visit: [www.wellsfargo.com/economicsemail](http://www.wellsfargo.com/economicsemail)

The 2021 Annual Economic Outlook: *Aftershocks and Divergence in the Post-Pandemic Economy* is available at [wellsfargo.com/economicoutlook](http://wellsfargo.com/economicoutlook)

Via The Bloomberg Professional Services at WFRE

And for those with permission at [research.wellsfargosecurities.com](http://research.wellsfargosecurities.com)

**Economics Group**

Jay H. Bryson, Ph.D.	Chief Economist	704-410-3274	Jay.Bryson@wellsfargo.com
Mark Vitner	Senior Economist	704-410-3277	Mark.Vitner@wellsfargo.com
Sam Bullard	Senior Economist	704-410-3280	Sam.Bullard@wellsfargo.com
Nick Bennenbroek	International Economist	212-214-5636	Nicholas.Bennenbroek@wellsfargo.com
Tim Quinlan	Senior Economist	704-410-3283	Tim.Quinlan@wellsfargo.com
Azhar Iqbal	Econometrician	212-214-2029	Azhar.Iqbal@wellsfargo.com
Sarah House	Senior Economist	704-410-3282	Sarah.House@wellsfargo.com
Charlie Dougherty	Economist	704-410-6542	Charles.Dougherty@wellsfargo.com
Michael Pugliese	Economist	212-214-5058	Michael.D.Pugliese@wellsfargo.com
Brendan McKenna	International Economist	212-214-5637	Brendan.Mckenna@wellsfargo.com
Shannon Seery	Economist	704-410-1681	Shannon.Seery@wellsfargo.com
Hop Mathews	Economic Analyst	704-383-5312	Hop.Mathews@wellsfargo.com
Nicole Cervi	Economic Analyst	704-410-3059	Nicole.Cervi@wellsfargo.com
Sara Cotsakis	Economic Analyst	704-410-1437	Sara.Cotsakis@wellsfargo.com
Jessica Guo	Economic Analyst	704-410-4405	Jessica.Guo@wellsfargo.com
Karl Vesely	Economic Analyst	704-410-2911	Karl.Vesely@wellsfargo.com
Coren Burton	Administrative Assistant	704-410-6010	Coren.Burton@wellsfargo.com

## Required Disclosures

This report is produced by the Economics Group of Wells Fargo Securities, LLC, a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the Securities Investor Protection Corp. Wells Fargo Securities, LLC, distributes this report directly and through affiliates including, but not limited to, Wells Fargo & Company, Wells Fargo Bank N.A., Wells Fargo Clearing Services, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Europe S.A., Wells Fargo Securities Canada, Ltd., Wells Fargo Securities Asia Limited and Wells Fargo Securities (Japan) Co. Limited. Wells Fargo Securities, LLC is registered with the Commodity Futures Trading Commission as a futures commission merchant and is a member in good standing of the National Futures Association. Wells Fargo Bank, N.A. is registered with the Commodity Futures Trading Commission as a swap dealer and is a member in good standing of the National Futures Association. Wells Fargo Securities, LLC and Wells Fargo Bank, N.A. are generally engaged in the trading of futures and derivative products, any of which may be discussed within this report.

The information in this report has been obtained or derived from sources believed by Wells Fargo Securities, LLC to be reliable, but Wells Fargo Securities, LLC does not guarantee its accuracy or completeness, nor does Wells Fargo Securities, LLC assume any liability for any loss that may result from the reliance by any person upon any such information or upon any opinions set forth herein. Such information and opinions are subject to change without notice, are for general information only and are not intended as an offer or solicitation with respect to the purchase or sale of any security or other financial product or as personalized investment advice. Wells Fargo Securities, LLC is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company. © 2021 Wells Fargo Securities, LLC

### Important Information for Non-U.S. Recipients

For recipients in the United Kingdom, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Conduct Authority. For the purposes of Section 21 of the UK Financial Services and Markets Act 2000 ("the Act"), the content of this report has been approved by WFSIL, an authorized person under the Act. WFSIL does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). The FCA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. For recipients in the EEA, this report is distributed by WFSIL or Wells Fargo Securities Europe S.A. ("WFSE"). WFSE is a French incorporated investment firm authorized and regulated by the Autorité de contrôle prudentiel et de résolution and the Autorité des marchés financiers. WFSE does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). This report is not intended for, and should not be relied upon by, retail clients.

SECURITIES: NOT FDIC-INSURED - MAY LOSE VALUE - NO BANK GUARANTEE