



New Home Sales Expected to Surge

The Mortgage Bankers Association (MBA) is **expecting new home sales to spike** again in June, based on results of its Builder Application Survey (BAS). That survey shows that mortgage applications for new home purchases were up 20 percent from May and 54.1 percent compared to a year ago. The data does not include any adjustment for typical seasonal patterns.

Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting said, "The new home purchase market continues to recover - applications surged 20 percent in June, and although this is not adjusted for seasonal impacts, it is another piece of data indicating that homebuying activity that was delayed by the pandemic in March and April is just being realized later in the season. The fact that applications are up over 50 percent from last June further reinforces that point.

Based on the BAS finding, MBA estimates that new home sales in June **increased 15 percent** to a seasonally adjusted pace of 774,000 units - which would be the strongest level of activity since January 2020. The seasonally adjusted estimate for June is an increase of 15.2 percent from the May pace of 672,000 units. On an unadjusted basis, MBA estimates that there were 71,000 new home sales in June 2020, an increase of 9.2 percent from 65,000 sales in May. The estimates are derived using mortgage application information from the BAS, as well as assumptions regarding market coverage and other factors.

Added Kan, "We do anticipate that new home construction will speed up to attempt to better meet demand. However, with the low level of homes for sale on the market, the sustainability of the upward trend in home purchase activity will hinge on supply ramping up more rapidly."

Applications for conventional loans accounted for **65.1 percent** of the new home purchase total and applications for FHA loans made up 22.6 percent, RHS/USDA loans comprised 1.0 percent and VA loans 11.2 percent. The average loan size of new homes increased from \$332,793 in May to \$338,589 in June.

MBA's Builder Application Survey tracks application volume from mortgage subsidiaries of home builders across the country. Utilizing this data, as well as data from other sources, MBA can provide an early estimate of new home sales volumes at the national, state, and metro level and information regarding the types of loans used by new home buyers. Official new home sales estimates are conducted by the Census Bureau on a monthly basis. In that data, new home sales are recorded at contract signing, which is typically coincident with the mortgage application. June new home sales data will be published on July 24.



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