



## MBA Sees New Home Sales at 13 Month Low

The Mortgage Bankers Association is **projecting a sizeable decline** in new home sales occurred last month as applications for their purchase declined 3 percent month-over-month and were 23.8 percent lower than in June 2020. The change does not include any seasonal adjustment.

Based on the application data, gathered from its Builder Application Survey (BAS) and other data including an estimate of market coverage, MBA estimates that single-family home sales were running at a seasonally adjusted annual rate of 704,000 units in June 2021. This is a **decrease of 5 percent** from the May pace of 741,000 units. On an unadjusted basis, MBA estimates that there were 66,000 new home sales in June 2021, a decrease of 2.9 percent from 68,000 sales in May.

"Homebuilders are encountering stronger headwinds of late, as severe price increases for key building materials, rising regulatory costs, and labor shortages impact their ability to raise production. This has dampened new home sales and quickened home-price growth," said Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting. "Additionally, still-low levels of for-sale inventory are also pushing prices higher as competition for available units remains high among prospective buyers. Applications for new home purchases fell for the third consecutive month, while the average loan amount surged to another record high at \$392,370. In addition to price increases, we are also seeing fewer purchase transactions in the lower price tiers as more of these potential buyers are being priced out of the market, further exerting upward pressure on loan balances."

Added Kan, "Our estimate of new home sales in June dropped to its lowest annual pace since May 2020 at 704,000 units. The average pace of sales has remained strong at around 738,000 for the past three months, but it is still around 7 percent lower than the average for 2020. Last year was strongest year for new home sales in over a decade."

By product type, **conventional** loans composed 74.4 percent of loan applications, **FHA** loans had a 14.0 percent share, **VA** loans accounted for 10.6 percent and **RHS/USDA** loans 1.0 percent. The average loan size of new homes increased from \$384,323 in May to \$392,370 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 provides an early estimate of new home sales volumes at the national, state, and metro level. This data also provides information regarding the types of loans used by new home buyers. Official new home sales estimates are published monthly by the Census Bureau. In that data, new home sales are recorded at contract signing, which is typically coincident with the mortgage application. The Census Bureau will issue its June report on July 26.



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