



Inventories Pushing Buyers Toward New Homes

The Mortgage Bankers Association (MBA) estimates that there were 17 percent fewer applications for new home purchases in August than in July, but those applications were 9 percent greater year-over-year. The figures, gathered from MBA's monthly Builder Application Survey (BAS) are not adjusted to reflect seasonal patterns.

"Mortgage applications to purchase new homes were down in August compared to 2020's late summer surge, but **both mortgage applications and MBA's estimate of new home sales jumped last month** compared to July," said Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting. "While the new home construction market is a much smaller segment of the overall housing market, prospective buyers are increasingly turning to new homes because of the very low levels of existing homes for sale. Last month's non-seasonally adjusted 9 percent increase in applications is an indication of greater than expected strength in demand, given that summer's end is typically a slower period for new home purchases."

Added Kan, "On a seasonally adjusted basis, new home sales jumped 12 percent in August to 874,000 units, the fastest pace of sales since January 2021. This is consistent with improving homebuilder sentiment, as lumber prices continue to ease and demand for new homes remains strong. However, higher costs for materials, delivery delays, and growing labor shortages continue to pose as challenges and are ultimately pushing sales prices higher. The average loan size set another survey record at \$406,922, and the share of loan applications for amounts greater than \$400,000 **accounted for over 40 percent of all applications, up from 28 percent a year ago.**"

The 12.2 increase cited by Kan was compared to a July sales rate of 779,000 homes. On an unadjusted basis, MBA estimates that there were 71,000 new home sales in August 2021, an increase of 10.9 percent from 64,000 sales in July.

Conventional loan applications accounted for 75.1 percent of the total and FHA loans for 13.8 percent. Applications for VA loans and RHS/USDA loans held 10.5 percent and 0.6 percent shares, respectively.

The BAS tracks application volume from mortgage subsidiaries of home builders nationwide. This enables MBA to provide an early estimate of new home sales at the national, state, and metro level as well as information on the type of loans used by buyers. Official new home sales estimates are conducted by the U.S. Census Bureau when purchase contracts are signed. This typically coincides with the mortgage application. The census report for August new home sales will be published on September 24.



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