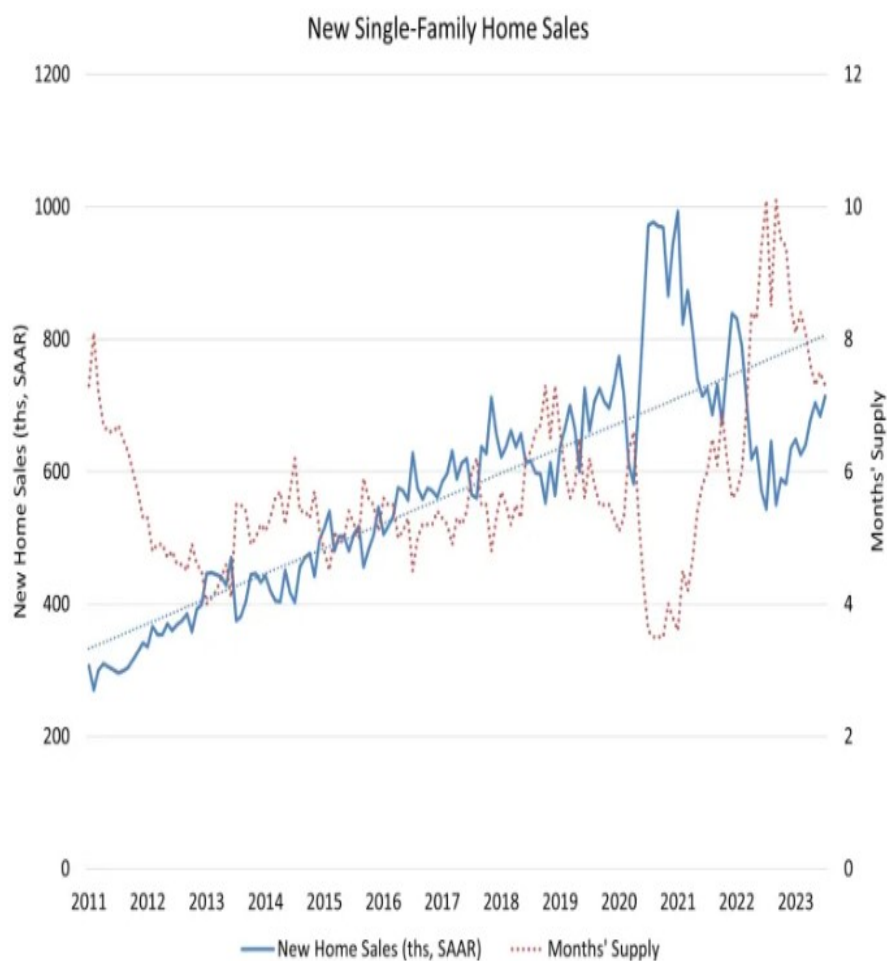




## New Home Sales Benefit from Inventory Issues

Sales of newly constructed homes appear to be benefitting from the very lack of inventory that is stifling existing home sales. July's sales of pre-owned homes lagged sales a year earlier by more than 16 percent while Wednesday's report on new home sales showed they had jumped ahead of July 2022 activity by 31.5 percent.

The U.S. Census Bureau and Department of Housing and Urban Development said new home sales were at an annual rate of 714,000 units in July. This is an increase of 4.4 percent compared to sales in June.



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On a non-seasonally adjusted basis, there were 59,000 homes sold, 1,000 more than in June. So far in 2023 sales total 416,000, essentially unchanged from the same period in 2022.

Robert Dietz, chief economist at the National Association of Home Builders said, "New home sales were solid in July because of an ongoing housing deficit in the U.S. and a lack of resales stemming from many homeowners electing to stay put to preserve their low mortgage rates. However, **despite this monthly uptick, new home sales will likely weaken in August** as higher interest rates price out prospective buyers."

While inventory of new homes fell 2.7 percent from June to July and by 27.7 percent year-over-year, there were 437,000 new homes available for sale at the end of the reporting period. This is a 7.3-month supply at the current sales pace. A six-month supply is generally considered a balanced market.

Dietz said that **of the total inventory of available homes, 31 percent are newly built**. Seventeen percent of those new homes are completed and ready for occupancy. This is up from approximately 9 percent a year ago.

The **good news for home buyers, new home prices have slid over the last year**. The median sales price in July was \$436,700 and the average was \$513,000. A year earlier the respective prices were \$478,200 and \$564,900.

Sales in the **Northeast** dipped by 2.9 percent from June to July but were 43.5 percent higher on an annual basis. In the **Midwest**, sales soared by 47.4 percent and 58.5 percent from the two earlier periods.

The **South** saw a 6.3 percent downturn in sales compared to the prior month, but annual sales were up 17.5 percent. Sales in the **West** increased 21.5 percent for the month and 60.2 percent compared to the previous July.