



Tale of Two Sales: New Homes Doing Great While Pending Homes Suffer

There's not much by way of "new news" for the housing market when it comes to sales data. New home sales continue strongly outperforming while Existing and Pending Sales suffer.

This week's reports for the month of September offer no objection to that thesis. Yesterday's New Home Sales report showed a 12.3% surge to an annual pace of 759k. This is a notoriously volatile data series in month-to-month terms, but September's gains were more than enough to offset the downtick seen in August. The result is the highest sales pace since 2021 when the housing market was still decelerating from the post-covid surge.



Improvement was broad-based across regions. As is the norm, the southern region does most of the heavy lifting with the West playing a supporting role. The Midwest is measurable but barely, and the Northeast continues to be "out of land." Still, the Northeast managed a 22.5% increase from last month, adding 4k to the total. Contrast that to a 14.6% uptick in the South for a total addition of 36k.



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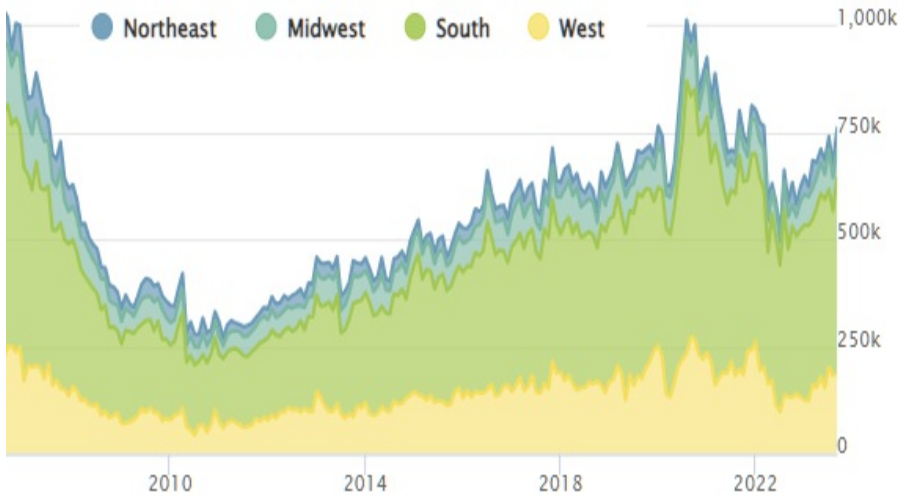
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New Home Sales by Region



Builders continue working through their construction pipelines. In non-seasonally adjusted terms, unsold homes under construction remain in the 260k range, down from the low 300s in late 2022. Completed homes have consistently hovered in the same 60-75k range.

One of the most notable shifts in the data series is the percentage of homes in the 200-299k price range. 21% of homes fell into that category in 2021, followed by only 9% in 2022. With rates and median prices increasing since then, it's a surprise to see a bounce back to 16% of the market in the most recent data. Granted, that's just for September, but the 2023 average is already up to 13%. If you've seen an ad for a [shoebox on a postage stamp](#) recently, you have a sense of how these numbers could actually make sense.

In any event, it's clear and it's no surprise that new construction is the only game in town when it comes to inventory. Builders are also being aggressive in their efforts to offer buyers the lowest possible rates in this high rate environment (frequently by using sales margins to buy down interest rates at "preferred lenders").

Pending Home Sales are dependent on homeowners listing their homes. Some have to, but the barriers are very high in this interest rate environment. Logical outcomes ensue.

Pending Home Sales Index



Did you see this month's "uptick?" Yeah... it is hard to see. At least it was an uptick. Thanks, Midwest!



This too shall pass, but not until rates come down a bit, or some other creative means of promoting residential mobility are devised.

Here are the official releases:

Pending Sales - <https://www.nar.realtor/newsroom/pending-home-sales-grew-1-1-in-september>

New Home Sales - <https://www.census.gov/construction/nrs/pdf/newressales.pdf>