

Datanote: US New Home Sales, October

In one line: Mostly a hurricane story, but sales probably will remain weak.

- New home sales plunged to 610K in October, from 738K, well below the consensus, 725K.

The huge fall in new home sales in October should be treated with caution, for two reasons. First, a

substantial share of the decline likely reflects Hurricanes Helene and Milton, which hit in late September and mid-October, respectively. All the decline in sales last month was due to an especially big fall in the South, where more than half of national sales take place. Second, new home sales are exceptionally volatile and the data are subject to huge margins of error. The Census Bureau's estimate of a 17.8% decline in October, for example, comes with a 90% confidence interval of $-/+12.8\%$.

That said, the plunge last month brought the three-month average level of sales much closer to the level suggested by the current sales component of the NAHB homebuilders' confidence survey, which provided a reliable lead on new home sales in 2023 and early 2024. We suspect that the new home sales data overstated the true strength of sales over the past few months. A partial post-hurricane rebound in November seems very likely, although we doubt sales will

return sustainably to the 700K+ levels seen in Q3. Homebuilder confidence has started to improve again recently, but we expect this optimism to be short-lived, given the ongoing weakness in mortgage demand.

Meanwhile, the inventory of new homes on the market jumped to 9.5 months of sales in October, from 7.7 months. That took the three-month average to 8.5 months, the highest since early 2023, although this jump mostly reflected lower sales rather

than a big increase in the absolute number of homes on the market. The big picture remains that homebuilders are sitting on usually high levels of inventory right now. Our seasonally adjusted measure of the median new home prices also leapt in October, with the year-over-year rate of decline in the three-month average easing to -1.1%, from -3.2%. But oversupply and soft demand suggest that new home prices will tread water at best in the near term.

- NAHB survey, current sales index, advanced one month (Left)
- ◊ New home sales, K annualized (Right)
- ▲ New home sales, three-month average (Right)



- MBA purchase index, re-adjusted by PM, adv. one month (Left)
- New home sales, thousands annualized (Right)



