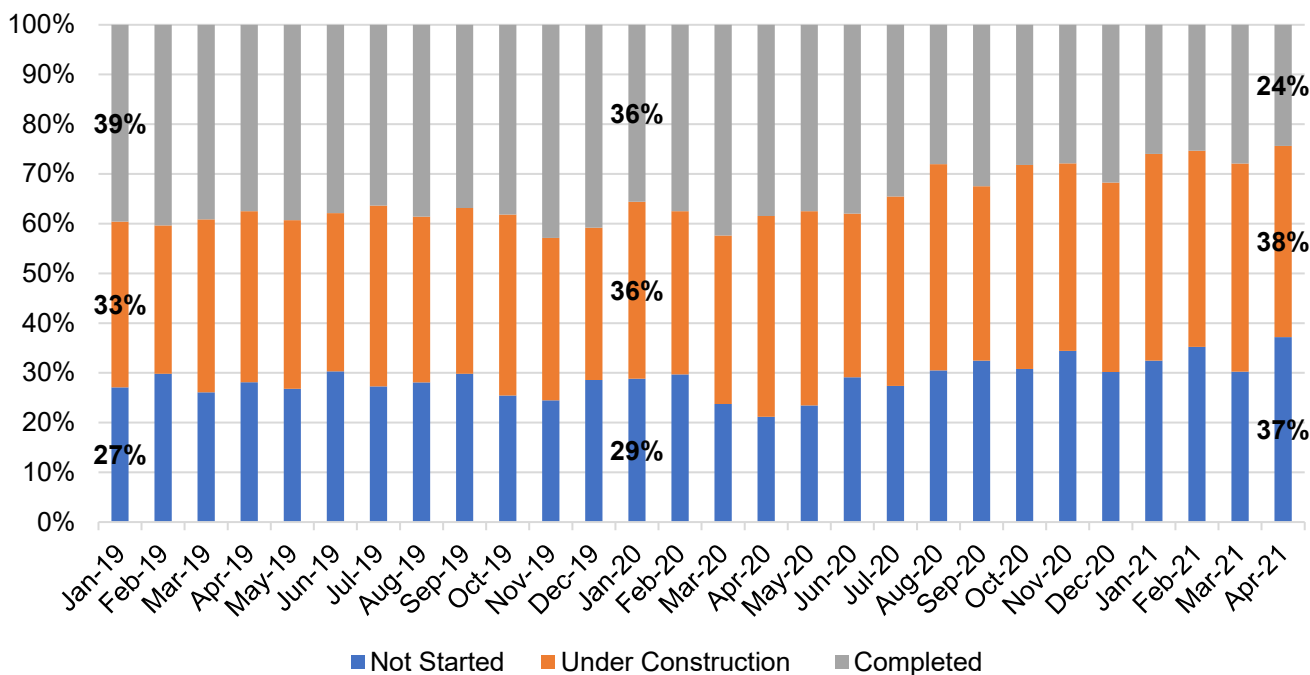


Chart of the Week - May 28, 2021
 New Home Sales by Stage of Construction
 Non-seasonally adjusted, pct share



Source: U.S. Census Bureau

Home sales have been strong for the past year, as home buying rebounded sharply in the months following the pandemic-driven pause in activity last spring. Demand caught back up in the second half of 2020, fueled by added interest in new, larger homes with more indoor and outdoor space. However, sales growth is starting to wane, held back by rapidly rising prices and low inventory. The seasonally adjusted annual pace of newly constructed homes was 863,000 units in April 2021, a drop from 917,000 units in March.

The competitive purchase market amidst low supply has changed the mix of new home sales in terms of stage of construction. This week’s MBA Chart of the Week shows that there is a declining share of completed homes (24 percent), and a growing share of homes sold that were either still under construction (38 percent) or not started (37 percent). This was the lowest share of completed homes sold since 2006. Homebuyers are snapping up new inventory at a frenetic pace and builders have not been able to keep up, even though the pace of single-family housing starts continues to run at over 1 million units.

The challenges that home builders face have been well documented. The National Association of Home Builders (NAHB) reported that there is a [widespread shortage](#) in key materials needed for construction. At the top of the list is appliances, with 95 percent of builders reporting either some shortage or a serious shortage. The next three items are framing lumber, oriented strand board (OSB), and plywood, but the list goes on. Additionally, the costs associated with these materials have also risen. The shortages and associated delivery delays are holding back new housing supply that is sorely needed, especially as home-price growth continues to reach record highs.