



The Daily Dish

Green Shoots in the Housing Market

DOUGLAS HOLTZ-EAKIN | NOVEMBER 27, 2019

Eakinomics: Green Shoots in the Housing Market

On days when important economic data are released, I (among others at AAF) receive an email summarizing the data. Yesterday morning's was entitled "New Home Sales, October 2019" and contained the following short summary:

New Home Sales

October: 733,000

September: 738,000

M-M: -0.7%

October 2018: 557,000

Y-Y: +31.6%

Yowzer! Sales of new homes in October were up 31.6 percent from sales in October 2018, but they were down from one month earlier. That got my attention.

Housing sales and construction have been in the doldrums for quite some time. Now I recalled that in the [3rd quarter estimate](#) of gross domestic product, residential construction had added 0.18 percentage points to growth after averaging a subtraction of 0.14 percentage points over the previous six quarters. But this new report of new home sales really got my attention.

What is going on? First, the [full release](#) indicates that the median sales price decreased 3.5 percent from one year ago; it is now \$316,700. Lower prices help demand. In addition, the Fed has cut rates, which provides additional fuel to the growth in wages and jobs that has been a hallmark of the past two years. These not only boosted new home sales, but also existing home sales. As a result total sales (new plus existing) rose by 7.2 percent from a year earlier, and only 5.3 months of inventory remain on the market. A full range of housing data for Q3 2019 can be found in the AAF's [Housing Chartbook](#), published quarterly.

As one might expect, this increase in activity has changed the equation for the home-building industry. Residential starts rose, and permits have recently been issued at the fastest pace since 2007.

Housing has traditionally been an important component of business cycle fluctuations. In the current setting, a stronger residential construction sector is an important hedge against downside risks.