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## IN FOCUS *Real Estate & Economic Commentary*

### OCTOBER 2012 NEW HOME STATS AT A GLANCE

Seasonally Adjusted Annual Rates (SAAR)  
Released November 28, 2012

New Home Sales  
368,000

-0.3% Month over Month  
+17.2% Year over Year

September Revised Total New Homes  
369,000

Months of Supply In October  
4.8

147,000 Available  
-7.5% Year over Year

Median Price  
\$237,700  
+12% Year over Year

Building Permits  
866,000  
-2.70% Month over Month

Housing Starts—All Types  
894,000  
+3.6% Month over Month  
+41.9% Year over Year

Single Family Starts  
594,000  
-0.17% Month over Month  
+2.18% Year over Year

Five Unit Plus Building Starts  
226,000

Housing Completions  
772,000  
+14.54% Month over Month

Single Family Completions  
542,000  
+11.9% Month over Month

SOURCE: Census & HUD

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## New Home Sales Up Solidly Year Over Year

### *Sales Rise Over the Year But Are Flat Month Over Month*

November 28, 2012 | By William L. Pittenger, MAI, SRA

Sales of new homes in the U.S. were little changed at 368,000 units (SAAR) in October after having risen in September by 5.7%; the fastest pace since April 2010. Sales increased 17.2% over the 314,000 recorded a year ago. The April 2010 sales volume was artificially inflated by home buyer [tax credits](#) at the time. The current pace, however, is unaffected by any form of stimulus. That, combined with strong [existing home](#) sales in October support our view that the housing market is finally beginning its long awaited recovery.

The median price of a new home sold in October was \$237,700, up solidly from \$212,300 recorded a year earlier. The seasonally adjusted estimate of new homes offered for sale at the end of October was 147,000 which represents a 4.8 month supply at the current sales pace. The current inventory as measured by months of supply is relatively healthy although the total sales volume is not, despite the impressive percentage gains over the last year. Volume closer to 700,000 units is widely considered to be a healthy sales pace.

Residential construction and permitting activity was strong in October suggesting that sales activity over the next few months will also be strong. Building permits increased 29.8% from the same period a year ago. Residential permits now stand at 866,000 of which 562,000 or 65% are single family units. Multifamily permits (buildings with five or more units) totaled 280,000 and declined slightly from September. Nevertheless, they rose 40% from a year ago. The multifamily sector remains strong at this time but fundamentals are beginning to show early signs of weakness.

Construction starts totaled 894,000 in October. That is up 3.6% from September and up 41.9% since last year at this time. There were also 772,000 completions in October. Completions were up a very solid 17.3% over the month and 33.6% over the year. The single family detached sector dominated at 542,000 completions at 61% or 542,000 total units.

Although new homes capture only a small portion of the nation's home sales, they have a disproportionate impact on the broader economy due to the [multiplier effect](#). In other words, for each dollar spent there is an additional amount spent over and above the initial investment that ripples through the broader economy. In its broadest terms each home built creates an average of three jobs for a year and generates about \$90,000 in tax revenue. Housing has been a drag on economic growth the last few years however the sector appears to be poised to turn the corner and contribute positively to GDP growth by mid 2013.

