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## New-house sales jump 6.2 percent as supply tightens

By JOSH BOAK THE ASSOCIATED PRESS

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WASHINGTON -- Americans bought new houses in October at the fastest pace in a decade -- a 6.2 percent monthly increase that reflects the underlying strength of the economy and the worsening shortage of existing houses for sale.

The Commerce Department said Monday that new-home sales last month rose to a seasonally adjusted annual rate of 685,000. That marks the third straight monthly gain and the best sales clip since October 2007. Much of the sales growth came from the Northeast and Midwest, with the South and West posting smaller increases.

Many buyers are turning to new construction because there is a shrinking supply of existing houses for sale. But new construction has been unable to keep up with demand. Potential buyers are searching for houses amid a healthy job market with a 4.1 percent unemployment rate and attractive 30-year mortgage rates that are averaging less than 4 percent.

Still, the lack of properties on the market has fueled higher prices, creating affordability pressures.

The average sales price of a new house jumped 13.6 percent over the past 12 months to \$400,200. The median sales price increased 3.3 percent to \$312,800.

Stephen Stanley, chief economist at Amherst Pierpont Securities, suggested that some of new houses were sold last month before construction had started -- a sign of the inventory squeeze.

"It would appear that builders paired up with prospective buyers en masse in October to lock in deals that would allow the buyers to have their homes built to order," Stanley said.

These price increases are a sign that builders are able to charge more money because of the dearth of inventory.

The number of sales listings for existing houses has tumbled 10.4 percent from a year earlier to just 1.8 million, according to the National Association of Realtors. That's the fewest number of houses on the market for any October since the Realtors began tracking the data in 1999.

New construction can only offset some of this supply crunch.

There is only 4.9 months' supply of newly-built houses on the market, the lowest reading since July 2016.



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New-home sales, tabulated when contracts get signed, account for about 10 percent of the market. They're considered a timelier barometer than purchases of previously owned houses, which are calculated when contracts close and are reported by the National Association of Realtors.

Number of houses sold but not yet started rose to 247,000 in October from 184,000, the highest level since January 2007, signaling residential construction will accelerate in coming months; another 221,000 dwellings sold were already under construction.

*Information for this article was contributed by Bloomberg News.*

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