

MBA Expects New Home Sales to Decline in New Year

By: Jann Swanson | Fri, Feb 18 2022, 11:21 AM

The Mortgage Bankers Association (MBA) is projecting a decline in new home sales for January. Based on data collected from its Builder Application Survey (BAS), it estimates that sales of newly constructed single-family homes were at a seasonally adjusted annual rate of 821,000 units, **a decrease of 7.4 percent from the December rate** of 887,000 units. On an unadjusted basis there were an estimated 66,000 homes sold during the month, 10 percent more than the 60,000 sales the prior month.

The BAS found applications for mortgages to purchase new homes were down 12.5 percent compared to January 2021 but were 10 percent higher than in December. Those numbers do not contain any adjustment for seasonal patterns.

“Purchase applications for new homes fell on an annual basis in January, but the 10 percent monthly gain is a positive sign to start the year,” according to Joel Kan, MBA’s Associate Vice President of Economic and Industry Forecasting. “While homebuyer demand remains strong, **purchase activity is being constrained by higher prices and building delays** due to supply-chain pressures and building materials shortages.

“MBA’s estimate of new home sales fell in January to its slowest annual pace since July 2021. Purchase activity for new homes continues to be concentrated in the higher end of the market and overall sales prices continue to increase, **as evidenced by another record-setting month for the average loan size at \$427,000**,” Kan said.

Conventional loans accounted for 77.0 percent of loan applications, and 13.0 percent were for FHA loans. Rural Home Service (USDA) and VA applications had 0.5 percent and 9.5 percent shares, respectively. The average loan size of new homes increased from \$423,102 in December to \$426,954 in January.

MBA’s Builder Application Survey tracks application volume from mortgage subsidiaries of home builders across the country. Official new home sales estimates are conducted by the Census Bureau on a monthly basis. In that data, new home sales are recorded at contract signing, which is typically coincident with the mortgage application. The Census Bureau report for January will be released on February 24.

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