

New Residential Sales

New Home Sales vs. Existing Home Sales

New home sales and existing home sales are released each month at about the same time. Many comparisons are made between the two series, but before doing any comparisons, one must be aware of some definition differences that affect the timing of the statistics.

The Census Bureau collects new home sales based upon the following definition: "A sale of the new house occurs with the signing of a sales contract or the acceptance of a deposit." The house can be in any stage of construction: not yet started, under construction, or already completed. Typically, about 25% of the houses are sold at the time of completion. The remaining 75% are evenly split between those not yet started and those under construction.

Existing home sales data are provided by the National Association of Realtors®. According to them, "the majority of transactions are reported when the sales contract is closed." Most transactions usually involve a mortgage which takes 30-60 days to close. Therefore, an existing home sale (closing) most likely involves a sales contract that was signed a month or two prior.

Given the difference in definition, new home sales usually lead existing home sales regarding changes in the residential sales market by a month or two. For example, an existing home sale in January, was probably signed 30 to 45 days earlier which would have been in November or December. This is based on the usual time it takes to obtain and close a mortgage.

Effective with January 2005, the National Association of Realtors created a new monthly series to overcome the lagging effect of the existing home sales definition. This new series is called Pending Home Sales and is based on sales of existing homes where the contract has been signed but the transaction has not been closed, making it roughly equivalent to the new home sales definition. Monthly estimates are expressed as an index where the year 2001 has been set to equal 100.0.

The National Association of Realtor's existing home sale data can be found at:

www.realtor.org/research/research/ehsdata