

New Residential Sales

How does the Census Bureau handle cancelled sales contracts?

The Census Bureau does not make adjustments to the new home sales figures to account for cancellations of sales contracts.

The Survey of Construction (SOC) is the survey used to collect all data on housing starts, completions, and sales. This survey usually begins by sampling a building permit authorization, which is then tracked to find out when the housing unit starts, completes, and sells. When the owner or builder of a housing unit authorized by a permit is interviewed, one of the questions asked is whether the house is being built for sale. If it is, we then ask if the house has been sold (contract signed or earnest money exchanged). If the respondent reports that the unit has been sold, the survey does not follow up in subsequent months to find out if it is still sold or if the sale was cancelled. The house is removed from the "for sale" inventory and counted as sold for that month. If the house is not yet started or under construction, it will be followed up until completion and then it will be dropped from the survey.

Since we discontinue asking about the sale of the house after we collect a sale date, we never know if the sales contract is cancelled or if the house is ever resold. Therefore, the eventual purchase by a subsequent buyer is not counted in the survey; the same housing unit cannot be sold twice.

As a result of our methodology, if conditions are worsening in the marketplace and cancellations are high, sales would be temporarily overestimated. When conditions improve and these cancelled sales materialize as actual sales, our sales would then be underestimated since we did not allow the cases with cancelled sales to re-enter the survey. In the long run, cancellations do not cause the survey to overestimate or underestimate sales.