

May New Home Sales

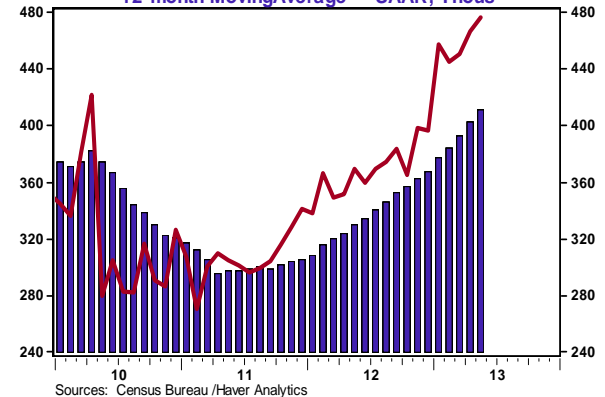
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- New single-family home sales rose 2.1% in May to a 476,000 annual rate, easily beating the consensus expected pace of 460,000. Sales are up 29.0% from a year ago.
- Sales were up in the Midwest, Northeast and West, but down in the South.
- The months' supply of new homes (how long it would take to sell the homes in inventory) rose to 4.1 in May from 4.0 in April. The faster selling pace was more than offset by a 4,000 unit rise in inventories.
- The median price of new homes sold was \$263,900 in May, up 10.3% from a year ago. The average price of new homes sold was \$307,800, up 9.6% versus last year.

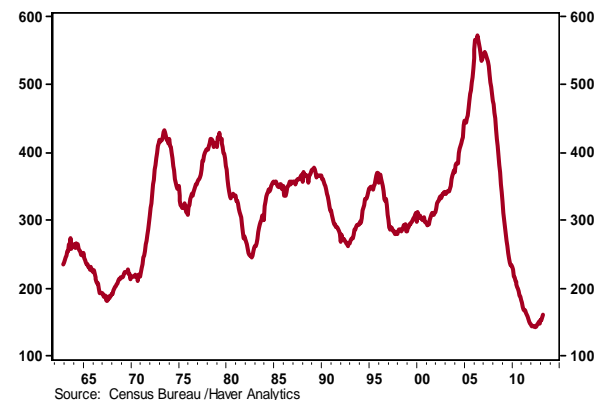
Implications: The new home market, which is typically the last piece of the housing puzzle to recover, is clearly improving. New home sales came in at the highest pace since July 2008. A lack of inventory in the existing home market appears to be driving buyers to the new home market, where sales were up 2.1% in May and up 29% from a year ago. By contrast, existing home sales are up 12.9% from a year ago. The months' supply of new homes – how long it would take to sell the new homes in inventory – rose to 4.1, but is still well below the average of 5.7 over the past 20 years and close to the 4.0 months that prevailed in 1998-2004, during the housing boom. As a result, as the pace of sales continues to rise over the next few years, home builders will have room to increase inventories. After a large reduction in inventories over the past several years, builders are getting ready for that transition. Inventories have increased in 9 of the last 10 months. Higher inventories aren't something to worry about and are not leading to more vacant homes; the number of completed new homes still sitting in inventory is at a record low, as buyers swoop in quickly. No wonder prices for new homes are up 10.3% from a year ago. In other housing news this morning, home prices continue to gather steam. The FHFA index, which covers homes financed with conforming mortgages, rose 0.7% in April and is up 7.4% in the past year. The Case-Shiller index, which covers homes in the 20 largest metro areas, increased 1.7% in April and is up 12.1% from a year ago. Both indexes show price gains for 15 straight months. According to Case-Shiller, recent price gains have been led by San Francisco, Las Vegas, and Los Angeles, although all 20 areas have been rising. On the manufacturing front, the Richmond Fed index, a measure of manufacturing sentiment in the mid-Atlantic, increased to +8 in June from -2 in May, suggesting a solid gain the national ISM manufacturing index when that report comes out early next week. Looks like the Plow Horse economy is starting to trot. The fact that the Fed is considering tapering QE is a good thing, not bad. Equities will be noticeably higher at year end than they are today.

New 1-Family Houses Sold: United States
SAAR, Thous

New 1-Family Houses Sold: United States
12-month Moving Average SAAR, Thous



New 1-Family Houses For Sale: United States
SA, Thous



New Home Sales	May-13		Apr-13	Mar-13	3-mo	6-mo	Yr to Yr
	% Ch	Level			moving avg	moving avg	% Change
<i>All Data Seasonally Adjusted, Levels in Thousands</i>							
New Single Family Homes Sales	2.1%	476	466	451	464	449	29.0
Northeast	20.7%	35	29	36	33	33	0.0
Midwest	40.7%	83	59	61	68	62	76.6
South	-9.0%	243	267	242	251	235	27.9
West	3.6%	115	111	112	113	119	18.6
Median Sales Price (\$, NSA)	-3.2%	263,900	272,600	255,000	263,833	261,067	10.3
		May-13	Apr-13	Mar-13	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		4.1	4.0	4.1	4.1	4.1	4.4

Source: Bureau of the Census