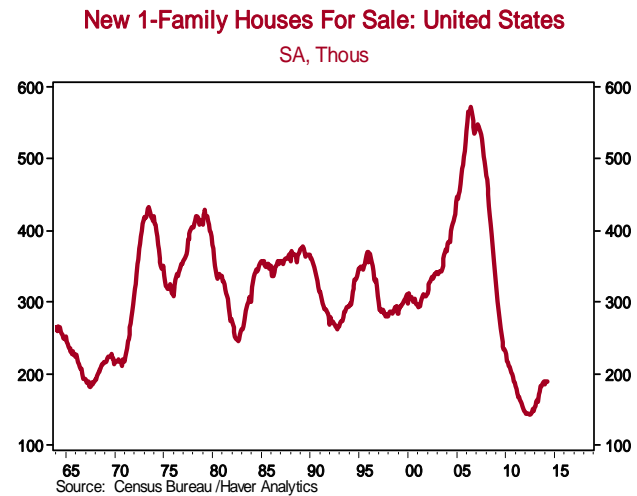
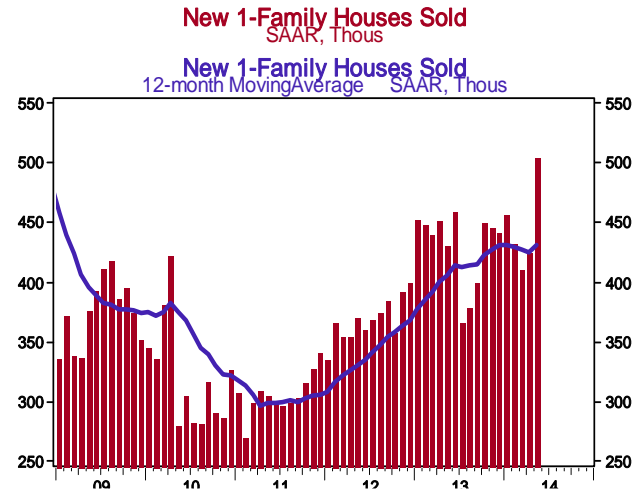


May New Home Sales

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- New single-family home sales rose 18.6% in May to a 504,000 annual rate, coming in well above the consensus expected pace of 439,000. Sales are up 16.9% from a year ago.
- Sales increased in all major areas of the country.
- The months' supply of new homes (how long it would take to sell the homes in inventory) fell to 4.5 in May from 5.3 in April. The decline in the months' supply was all due to a faster sales pace. Inventories were unchanged.
- The median price of new homes sold was \$282,000 in May, up 6.9% from a year ago. The average price of new homes sold was \$319,200, up 1.7% versus last year.

Implications: The housing recovery continues. New single-family home sales boomed in May to a 504,000 annual rate, blowing away consensus expectations and coming in at the highest pace in six years. There has been a lot of volatility over the past year, but we can take some of this volatility out by taking a 12-month moving average, which is tied at the best level since February 2009. Still, at this point in the housing recovery we expected this number to be higher – but, a few factors are weighing on sales. First, the homeownership rate remains depressed as a larger share of the population is deciding to rent rather than own. Second, buyers have shifted slightly from single-family homes, which are counted in the new home sales data, to multi-family homes (think condos in cities), which are not counted in the report. Third, financing is still more difficult than it has been in the past. Perhaps the best news in today's report was that the months' supply of new homes – how long it would take to sell all the new homes in inventory – declined to 4.5 in May, well below the average of 5.7 over the past twenty years. The inventory of new homes remains very low and as the pace of sales continues to recover in the years ahead, homebuilders still have plenty of room to increase both construction and inventories. Another way to think about it is that the construction of new homes can outpace a rising pace of sales. In other housing news this morning, the Case-Shiller index, which measures home prices in 20 key metro areas, increased 0.2% (seasonally-adjusted) in April and is up 10.8% in the past year. Price gains in the past year have been led by Las Vegas and San Francisco. The FHFA price index, for homes financed with conforming mortgages, was unchanged in April and is up 5.9% from a year ago. As inventory continues to come onto the market, price gains will continue but not as fast as in the past two years. In other news this morning, the Richmond Fed index, a measure of factory sentiment in the mid-Atlantic region, dipped to +3 in June from +7 in May, signaling continued manufacturing growth, but perhaps not as fast as in May.



New Home Sales	May-14		Apr-14	Mar-14	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
<i>All Data Seasonally Adjusted, Levels in Thousands</i>							
New Single Family Homes Sales	18.6%	504	425	410	446	445	16.9
Northeast	54.5%	34	22	27	28	27	36.0
Midwest	1.4%	74	73	56	68	62	5.7
South	14.2%	266	233	235	245	250	11.8
West	34.0%	130	97	92	106	107	32.7
Median Sales Price (\$, NSA)	4.6%	282,000	269,700	285,400	279,033	275,133	6.9
		May-14	Apr-14	Mar-14	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		4.5	5.3	5.6	5.1	5.1	5.1

Source: Bureau of the Census