

May New Home Sales

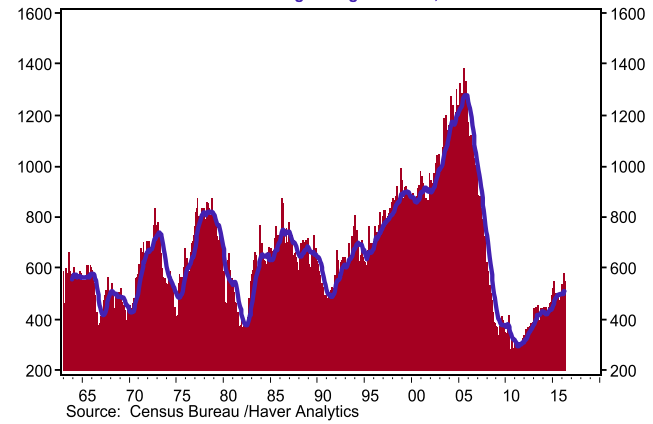
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- New single-family home sales fell 6.0% in May to a 551,000 annual rate, coming in slightly below the consensus expected pace of 560,000. Sales are up 8.7% from a year ago.
- Sales fell in the Northeast, West and South, but rose in the Midwest.
- The months' supply of new homes (how long it would take to sell the homes in inventory) rose to 5.3 months in May from 4.9 in April. The rise in the months' supply was due to both a slower sales pace and an increase in inventories of 3,000 units.
- The median price of new homes sold was \$290,400 in May, up 1.0% from a year ago. The average price of new homes sold was \$358,900, up 5.3% versus last year.

Implications: After surging in April to the fastest pace in eight years, new home sales took a breather in May, coming in slightly below consensus expectations, but still signaling continued strength. In fact, even though sales of new homes fell 6% in May, today's number was still the second strongest reading since February 2008. It's important to remember that home sales data are very volatile from month to month, so it's important not to get too carried away and to keep focusing on the trend, which remains positive. We think there are a couple reasons to expect housing to remain a positive factor for the economy in the months ahead. First, employment gains and the beginning of a thaw in mortgage financing. Second, wage growth seems to be picking up, putting the prospect of buying a home in reach for more people. Third, the homeownership rate remains depressed as a larger share of the population is renting, leaving plenty of potential buyers as conditions continue to improve. And remember that, unlike single-family homes which are counted in the new home sales data, multi-family homes (think condos in cities) are not counted in this report. So a shift back towards single family units will also serve to push reported sales higher. The inventory of new homes rose 3,000 in May but remains very low by historical standards (see chart to right). Moreover, the recent recovery in inventories has been led by homes where construction is still in progress, or has yet to begin. As a result, homebuilders still have plenty of room to increase both construction and inventories. The median sales price of a new home fell 9.3% in May, but is still up 1.0% versus last year. A change in the "mix" of homes sold toward the lower end of the market is hiding some of the increase in home prices. In other news this morning, new claims for unemployment insurance declined 18,000 to 259,000. Continuing claims fell 20,000 to 2.142 million. These figures suggest a rebound in job growth in June.

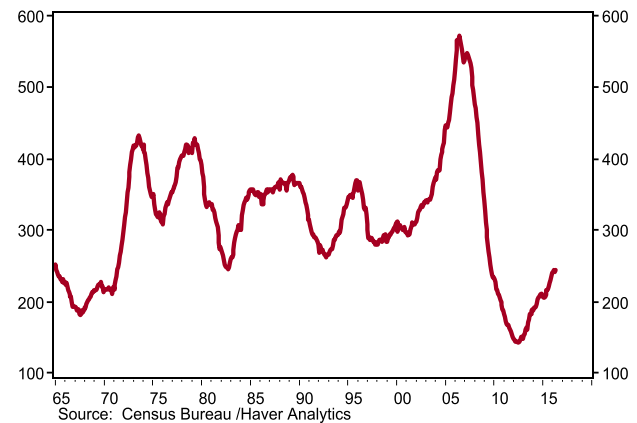
New 1-Family Houses Sold
SAAR, Thous

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



New 1-Family Houses For Sale: United States

SA, Thous



New Home Sales	May-16		Apr-16	Mar-16	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	-6.0%	551	586	522	553	541	8.7
Northeast	-33.3%	34	51	36	40	36	30.8
Midwest	12.9%	70	62	65	66	65	16.7
South	-0.9%	323	326	298	316	303	13.3
West	-15.6%	124	147	123	131	137	-8.8
Median Sales Price (\$, NSA)	-9.3%	290,400	320,200	298,200	302,933	301,700	1.0
		May-16	Apr-16	Mar-16	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		5.3	4.9	5.6	5.3	5.3	5.4

Source: Bureau of the Census

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