

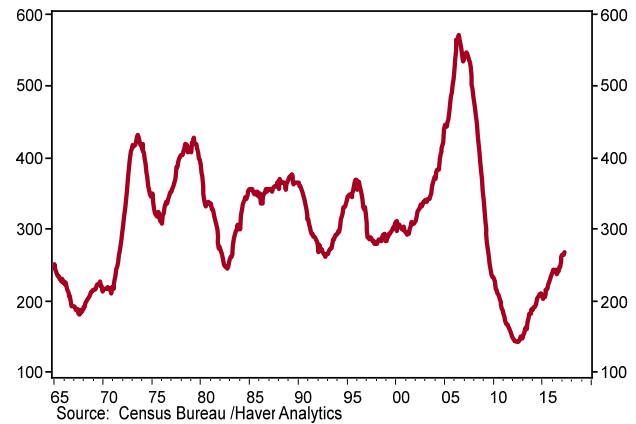
May New Home Sales

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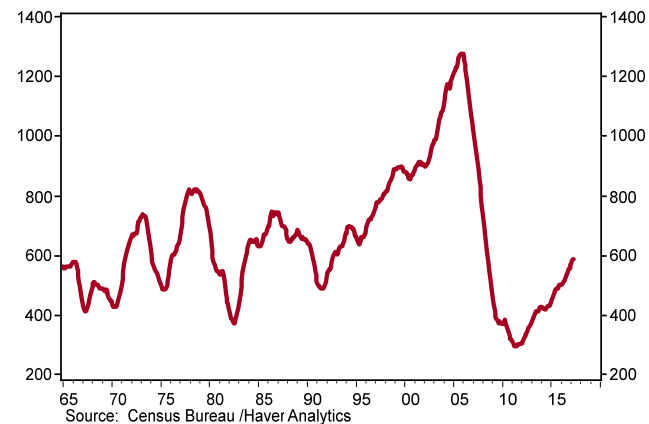
- New single-family home sales rose 2.9% in May to a 610,000 annual rate, easily beating the consensus expected 590,000. Sales are up 8.9% from a year ago.
- Sales rose in the West and South, but fell in the Midwest and Northeast.
- The months' supply of new homes (how long it would take to sell the homes in inventory) was unchanged at 5.3 months in May. The faster sales pace in May was offset by a 4,000 unit rise in inventories.
- The median price of new homes sold was \$345,800 in May, up 16.8% from a year ago. The average price of new homes sold was \$406,400, up 16.1% versus last year.

Implications: New homes sales picked up the pace in May, rising 2.9% to a 610,000 annual rate. Meanwhile, sales in previous months were revised up as well. When looking at housing data, what really matters is the trend. Sales are now up 8.9% from a year ago and we expect the trend to remain upward and housing to remain a positive factor for the economy. Although the inventory of unsold new homes rose 4,000 in May, that's not a sign of a problem. The inventory of unsold new homes peaked at 572,000 back in 2006. At the time, that represented a 7.3 months' supply. Then, when new homes sales plummeted during the housing bust, the months' supply peaked at 12.2 in January 2009. The current inventory of 268,000 homes represents a 5.3 months' supply. So both the raw inventory and the months' supply are still far below the peaks in the prior cycle. Moreover, about 20% of the inventory is homes where construction hasn't even started yet; a more normal share is 15%. There are a few key reasons for our positive outlook on housing. First, job gains continue, which should put continued upward pressure on wage growth. Second, credit standards in the mortgage market are thawing. Third, the homeownership rate remains depressed as a larger share of the population is renting, leaving plenty of potential buyers as economic conditions continue to improve. One aspect of today's report was misleadingly strong, which was prices. The median price of a new home was 16.8% higher than a year ago. That apparent surge happened because last May had an unusually sharp price drop, so the year-ago comparison now looks artificially strong. Look for that comparison to return to a more normal single-digit gain for June. In other recent housing news, the FHFA Index, which measures prices for homes financed with conforming mortgages, rose 0.7% in April and is up 6.8% from a year ago, an acceleration from the 6.1% gain in the year ending in April 2016. On the employment front, new claims for unemployment insurance increased 3,000 last week to 241,000. Continuing claims rose 8,000 to 1.94 million. Plugging these figures into our models suggests healthy job growth in June, with a payroll gain of around 200,000.

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



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



New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	May-17		Apr-17	Mar-17	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
New Single Family Homes Sales	2.9%	610	593	644	616	602	8.9
Northeast	-10.8%	33	37	38	36	37	0.0
Midwest	-25.7%	55	74	86	72	73	-23.6
South	6.2%	360	339	346	348	334	15.0
West	13.3%	162	143	174	160	157	14.1
Median Sales Price (\$, NSA)	11.5%	345,800	310,200	320,100	325,367	320,700	16.8
		May-17	Apr-17	Mar-17	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		5.3	5.3	4.9	5.2	5.2	5.1

Source: Bureau of the Census

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