

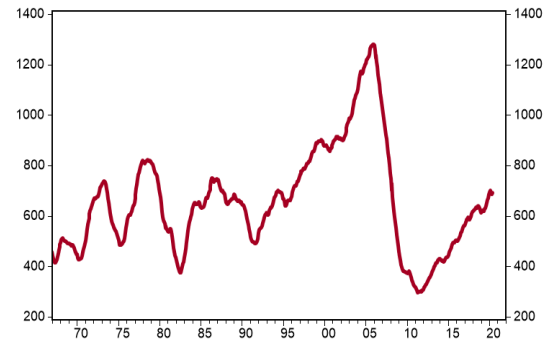
May New Home Sales

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- New single-family home sales increased 16.6% in May to a 676,000 annual rate, beating the consensus expected 640,000. Sales are up 12.7% from a year ago.
- Sales rose in the Northeast, West, and South, but fell in the Midwest.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) fell to 5.6 months in May from 6.7 months in April. The decline was due to both the faster pace of sales and a decrease in inventories of 7,000 units.
- The median price of new homes sold was \$317,900 in May, up 1.7% from a year ago. The average price of new homes sold was \$368,800, down 2.7% versus last year.

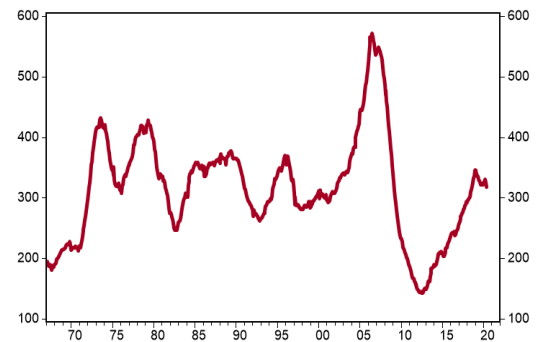
Implications: Following three consecutive months of declines, new home sales came surging back in May as lockdowns eased around the country. Keep in mind that sales of new homes are counted when the contracts are signed, so they represent a timelier indicator of activity than existing homes, which are counted at closing. It looks like the recession for the new home market was shorter and shallower than for the rest of the economy, with sales now up 12.7% from a year ago and the twelve-month sales average sitting just 1.1% below the post-2008 high set in February. There are a couple of factors that should continue to drive new home sales higher in the months ahead. First, affordability is increasing; Fed liquidity measures have helped fully reverse the spike in mortgage rates that happened in aftermath of the US virus outbreak and rates now sit at record lows. Meanwhile, the median sales price for a new home is down from pre-pandemic levels. Second, buyers' preferences look to be shifting away from units in denser urban environments due to the pandemic, and toward the more spacious options in the suburbs where most new homes are built. However, a lack of finished new homes waiting for buyers could be a headwind for sales going forward. In the past year, the only portion of the inventory of unsold new homes that has seen gains has been homes where construction has yet to start. Meanwhile, the inventory of unsold homes that are either under construction or finished is still down from a year ago. Given the downward pressure that lockdowns and social distancing continue to exert on new construction, we do not expect an oversupply of homes anytime soon. As a result, home prices should bounce upward in the next several months. In other news this morning, the Richmond Fed index, a measure of mid-Atlantic factory sentiment, rose to 0 in June from -27 in May. This represents the largest one month gain on record for the index, and while a reading of 0 means growth still hasn't returned, it signals that the huge contractionary readings of the past couple months are behind us.

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



Source: Census Bureau/Haver Analytics

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



Source: Census Bureau/Haver Analytics

New Home Sales	May-20		Apr-20	Mar-20	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	16.6%	676	580	612	623	682	12.7
Northeast	45.5%	32	22	23	26	32	45.5
Midwest	-6.4%	73	78	77	76	82	2.8
South	15.2%	402	349	365	372	381	6.3
West	29.0%	169	131	147	149	187	31.0
Median Sales Price (\$, NSA)	4.9%	317,900	303,000	331,800	317,567	323,817	1.7
		May-20	Apr-20	Mar-20	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		5.6	6.7	6.5	6.3	5.8	5.7

Source: Bureau of the Census