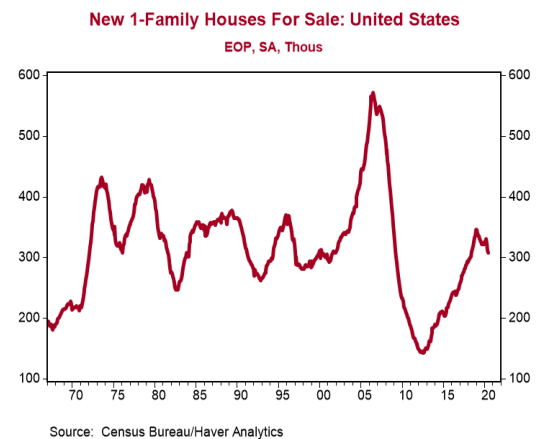
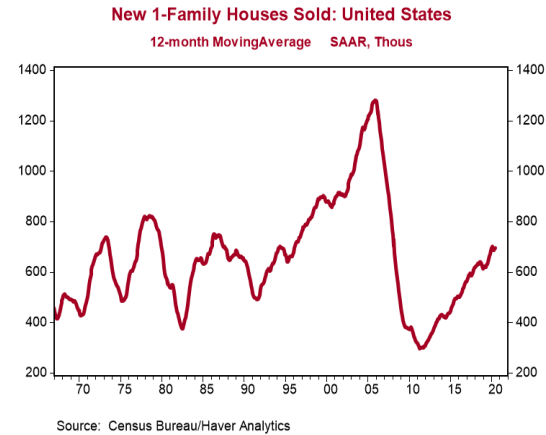


June New Home Sales

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- New single-family home sales increased 13.8% in June to a 776,000 annual rate, easily beating the consensus expected 700,000. Sales are up 6.9% from a year ago.
- Sales rose in all major regions of the country.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) fell to 4.7 months in June from 5.5 months in May. The decline was due to both the faster pace of sales and a decrease in inventories of 4,000 units.
- The median price of new homes sold was \$329,200 in June, up 5.6% from a year ago. The average price of new homes sold was \$384,700, up 6.3% versus last year.

Implications: The recovery in new home sales continued at a break-neck pace in June, rising more than even the most optimistic forecast by any economics group to the highest level since 2007. That's right, new home sales were higher in June than before COVID-19 hit the US economy. 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 home sales, which are counted at closing. There are a couple of factors that should continue to drive new home sales higher in the months ahead. First, affordability is increasing; Fed rate cuts have reversed the increase in mortgage rates we saw prior to the shutdowns and rates now sit below 3% for the first time on record. Second, due to the pandemic, buyers' preferences look to be shifting away from units in denser urban environments, toward the more spacious options in the suburbs where most new single-family 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 social distancing regulations, shortages of labor, and supply chain issues continue to exert on new construction, we do not expect an oversupply of homes anytime soon. As a result, home prices should continue to rebound in the next several months. In other recent news, initial jobless claims rose last week for the first time since March, coming in at 1.416 million, up 109,000 from the week before. It looks like the recent "second-wave" of coronavirus infections, and the resulting shutdowns of bars and restaurants in many states, is causing headwinds for the labor market recovery. Meanwhile, continuing claims, which lag initial claims by a week, declined 1.1 million to a reading of 16.2 million. Combined, these readings suggest job growth continued in July, but at a slower pace than June. Finally, on the manufacturing front, the Kansas City Fed index rose modestly to +3 in July from +1 in June. This represents a return to pre-pandemic levels, and a significant recovery from the reading of -30 during April in the middle of the crisis.



| New Home Sales | Jun-20 | | May-20 | Apr-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 | 13.8% | 776 | 682 | 571 | 676 | 689 | 6.9 |
| Northeast | 89.7% | 55 | 29 | 22 | 35 | 34 | 111.5 |
| Midwest | 10.5% | 84 | 76 | 77 | 79 | 82 | 33.3 |
| South | 7.2% | 434 | 405 | 337 | 392 | 386 | -1.8 |
| West | 18.0% | 203 | 172 | 135 | 170 | 187 | 4.1 |
| Median Sales Price (\$, NSA) | 6.1% | 329,200 | 310,200 | 307,100 | 315,500 | 322,567 | 5.6 |
| | | Jun-20 | May-20 | Apr-20 | 3-mo Avg | 6-mo Avg | 12-mo Avg |
| Months' Supply at Current Sales Rate (Levels) | | 4.7 | 5.5 | 6.8 | 5.7 | 5.7 | 5.6 |

Source: Bureau of the Census