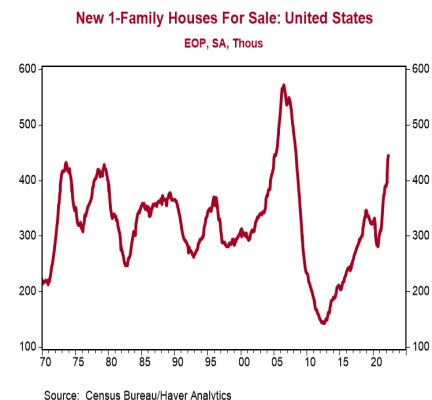
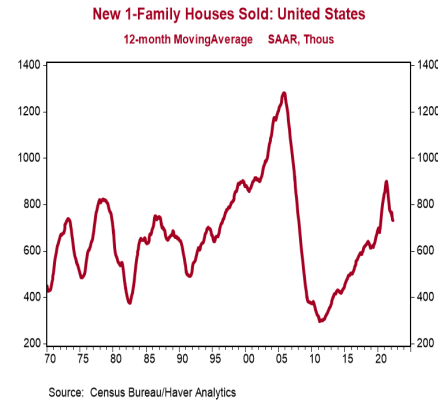


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May New Home Sales

- New single-family home sales increased 10.7% in May to a 0.696 million annual rate, easily beating the consensus expected 0.590 million. Sales are down 5.9% from a year ago.
- Sales in May rose in the West and South but fell in the Northeast and Midwest.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) fell to 7.7 in May from 8.3 in April. The decline was entirely due to a faster pace of sales. Inventories rose by 7,000 units in May.
- The median price of new homes sold was \$449,600 in May, up 15.0% from a year ago. The average price of new homes sold was \$511,400, up 14.8% versus last year.

Implications: So far, the widely predicted demise of the US housing market has been exaggerated. Sales of new homes broke a four-month losing streak in May, posting a 10.7% gain to easily beat consensus expectations. Moreover, sales in prior months were revised up as well. Using April's original reading of 0.591 million, today's headline gain would have been 17.8%. While it's too early to tell from just one month, the housing market may be beginning to find some footing amid declining affordability, with today's increase marking the first gain so far in 2022. While rapidly rising prices have been an issue in the housing market throughout the COVID-19 pandemic, 30-year mortgage rates now sit just below 6%, adding to the burden. Assuming a 20% down payment, the rise in mortgage rates and home prices just since December amount to a 40% increase in monthly payments on a new 30-year mortgage for the median new home. That makes today's headline number even more impressive. Also keep in mind that new home sales are a very timely barometer of the housing market because they are counted when the contract is signed, rather than when the contract is closed, like with existing homes. That said, if the Federal Reserve is hoping to get housing inflation under control through higher interest rates, the progress has been slow. While median sales price growth has decelerated from a year-over-year peak of 24.2% in August, prices were still up 15.0% in the twelve months ending in May. The main problem is still that buyers are stuck dealing with very few options when it comes to completed homes, and demand remains high. It's true that overall inventories have been rising recently and now sit at the highest level since 2008. However, almost all of this inventory gain is from homes where construction has either not yet started or is still underway. Doing a similar calculation with only completed homes on the market shows a months' supply of a meager 0.6, near the lowest level on record back to 1999. The good news is that builders have been ramping up construction activity to help meet demand, with the total number of single-family homes under construction at the highest levels since 2006. In time, that added supply will facilitate more sales while continuing to slow the pace of new home price appreciation. Ultimately, we think the market will be able to weather the headwinds of higher mortgage rates in 2022, with sales of new homes only slightly down versus 2021. In other recent news, initial unemployment claims fell 2,000 last week to 229,000. Meanwhile, continuing claims rose 5,000 to 1.315 million. Overall, these figures are consistent with continued growth in jobs in June. On the manufacturing front, the Kansas City Fed Index, which measures factory sentiment in that region, fell to a still solid +12 in June from +23 in May.



New Home Sales	May-22		Apr-22	Mar-22	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	10.7%	696	629	715	680	750	-5.9
Northeast	-51.1%	23	47	50	40	39	-42.5
Midwest	-18.3%	58	71	87	72	82	-37.0
South	12.8%	413	366	395	391	428	1.5
West	39.3%	202	145	183	177	202	0.5
Median Sales Price (\$, NSA)	-1.3%	449,000	454,700	433,900	445,867	434,250	15.0
		May-22	Apr-22	Mar-22	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		7.7	8.3	6.9	7.6	6.7	6.5

Source: Bureau of the Census