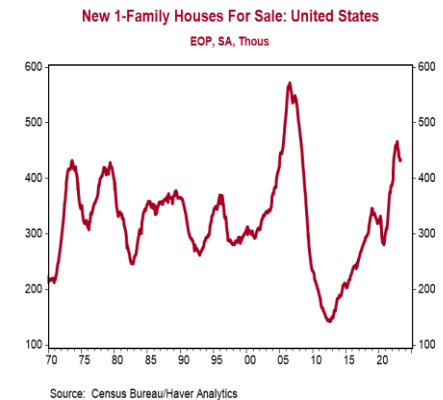
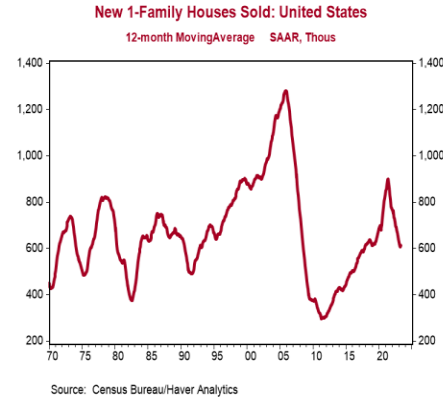


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April New Home Sales

- New single-family home sales increased 4.1% in April to a 0.683 million annual rate, beating the consensus expected 0.665 million. Sales are up 11.8% from a year ago.
- Sales in April rose in the South and Midwest but fell in the Northeast and West.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) ticked down to 7.6 in April from 7.9 in March. The decline was entirely due to a faster pace of sales. Inventories increased by 1,000 units in April.
- The median price of new homes sold was \$420,800 in April, down 8.2% from a year ago. The average price of new homes sold was \$501,000, down 10.9% versus last year.

Implications: New home sales continued to recover in April, signaling that activity may have hit at least a temporary bottom back in mid-2022. While sales are on an upward trend recently and are now up 25.8% from the low in July of last year, they still remain well below the pandemic highs of 2020. The main issue with the US housing market has been declining affordability. Assuming a 20% down payment, the change in mortgage rates and home prices in just the past year amounts to a 13% increase in monthly payments on a new 30-year mortgage for the median new home. With 30-year mortgage rates currently sitting near 7.0%, financing costs remain a headwind. However, the median sales price of new homes has fallen by 15.3% from the peak late last year, which has helped sales activity begin to recover. Notably, while a lack of inventory had contributed to price gains in the past couple of years, in general, inventories have made substantial gains recently. The months' supply of new homes (how long it would take to sell the current inventory at today's sales pace) is now 7.6, up significantly from 3.3 early in the pandemic. Most importantly, the supply of completed single-family homes has more than doubled versus a year ago. This is in contrast to the market for existing homes which continues to struggle with an inventory problem often due to the difficulty of convincing current homeowners to give up the low fixed-rate mortgages they locked-in during the pandemic. Though not a recipe for a significant rebound, more inventories should continue to help moderate new home prices and put a floor under sales activity. One problem with assessing housing activity is that the Federal Reserve held interest rates artificially low for more than a decade. With rates now in a more normal range, the sticker shock on mortgage rates for potential buyers is very real. However, we have had strong housing markets with rates at current levels in the past, and homebuyers will eventually adjust, possibly by looking at lower priced homes. Finally, on the manufacturing front, the Richmond Fed index, a measure of mid-Atlantic factory activity, fell to -15.0 in May from -10.0 in April, still signaling contraction.



New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Apr-23		Mar-23	Feb-23	3-mo	6-mo	Yr to Yr
	% Ch	Level			moving avg	moving avg	% Change
New Single Family Homes Sales	4.1%	683	656	631	657	640	11.8
Northeast	-58.6%	24	58	21	34	35	-46.7
Midwest	11.8%	76	68	72	72	67	20.6
South	17.8%	443	376	415	411	403	23.4
West	-9.1%	140	154	123	139	135	-2.8
Median Sales Price (\$, NSA)	-7.7%	420,800	455,800	445,700	440,767	449,367	-8.2
		Apr-23	Mar-23	Feb-23	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		7.6	7.9	8.3	7.9	8.3	8.8

Source: Bureau of the Census