

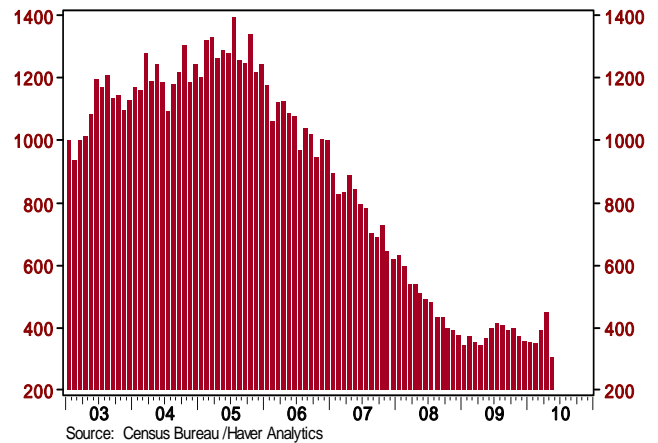
# MAY NEW HOME SALES

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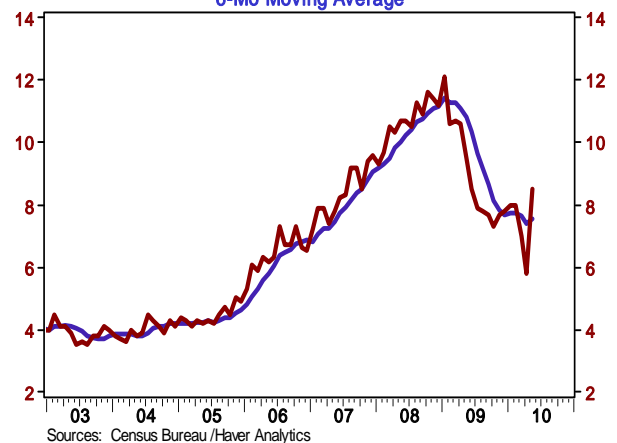
- New single-family home sales fell 32.7% in May to a 300,000 annual rate, well below the consensus expected pace of 410,000.
- Sales were down in all major regions of the country.
- At the current sales pace, the supply of unsold new homes increased to 8.5 months in May. All of the increase in the months' supply was due to the slower pace of sales. The actual level of inventories declined 1,000 to 213,000 and is down 62.8% from the peak in mid-2006.
- The median price of new homes sold was \$200,900 in May, down 9.6% from a year ago. The average price of new homes sold was \$263,400, down 4.1% versus last year.

**Implications:** New home sales were abysmal in May, falling to a 300,000 annual rate, a record low (dating back to 1963). In addition, sales in March and April were revised down substantially. The homebuyer tax credit – which required a contract on a home by the end of April – obviously had a big influence on new home sales. Despite the downward revision, new homes were sold at a 446,000 pace in April, but fell to a 300,000 rate in May. The underlying trend is probably in between, or 373,000 per year. For comparison, in the past two months, single-family homes were started at a 517,000 annual rate. Of the 517,000, we estimate that roughly 150,000 do not need to be sold because the plot has already been sold. That leaves 367,000 per year that need to be sold (517,000 minus 150,000), which is right in-line with the pace of sales. In other words, as bad as today's report was, it does not signal a need for home builders to slow down the pace of construction. Confirming this, today's report showed that the inventory of new homes declined 1,000 to 213,000, the lowest level since 1970. The US economy is still in a V-shaped recovery, but that V-shape reflects an average of a booming manufacturing sector, robust improvements in the service sector, and a housing sector where building is rising gradually on the back of home improvements but where new construction and sales remain soft.

New 1-Family Houses Sold: United States  
SAAR, Thous



Months' Supply at current Sales Rate  
Seasonally Adjusted  
Months' Supply at current Sales Rate  
6-Mo Moving Average



New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	May-10		Apr-10	Mar-10	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
<b>New Single Family Homes Sales</b>	-32.7%	300	446	389	378	365	-18.3
<i>Northeast</i>	-33.3%	28	42	33	34	36	12.0
<i>Midwest</i>	-23.9%	51	67	54	57	55	6.3
<i>South</i>	-25.4%	170	228	209	202	191	-16.7
<i>West</i>	-53.2%	51	109	93	84	84	-43.3
<b>Median Sales Price (\$, NSA)</b>	-1.0%	200,900	202,900	225,400	209,733	215,317	-9.6
		May-10	Apr-10	Mar-10	3-mo Avg	6-mo Avg	12-mo Avg
<b>Months' Supply at Current Sales Rate (Levels)</b>		8.5	5.8	7.0	7.1	7.5	7.7

Source: Bureau of the Census

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