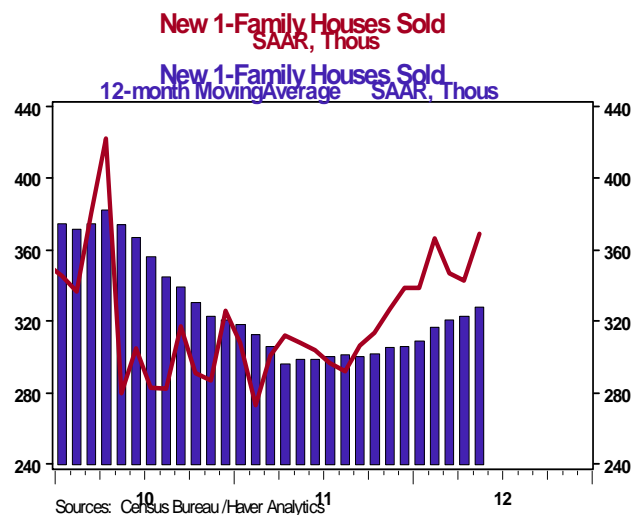


## May New Home Sales

**Brian S. Wesbury** – Chief Economist  
**Robert Stein, CFA** – Senior Economist  
**Strider Elass** – Economic Analyst

- New single-family home sales increased 7.6% in May, to a 369,000 annual rate, easily beating the consensus expected pace of 347,000.
- Sales were up in the Northeast and South, but down in the Midwest and West.
- The months' supply of new homes (how long it would take to sell the homes in inventory) fell to 4.7 from 5.0 in April. The fall in the months' supply was all due to a faster selling pace. Inventories rose slightly.
- The median price of new homes sold was \$234,500 in May, up 5.6% from a year ago. The average price of new homes sold was \$273,900, up 4.3% versus last year.

**Implications:** The market for new homes should be the last piece of the housing puzzle to recover and even that is now on the mend. New home sales easily beat consensus expectations, coming in at a 369,000 annual rate in May and are now up 19.8% from a year ago. The median price of a new home sold is up 5.6% versus a year ago. Although the inventory of homes rose slightly, the increase was due to the inventory of homes not yet started as well as homes still under construction; the inventory of completed new homes fell again, to the lowest level on record (dating back to 1963). The months' supply of new homes, is now 4.7. This is below the average of 5.7 over the past 20 years and not much above the 4.0 months that prevailed in 1998-2004, during the housing boom. The lack of availability of completed new homes is likely holding back sales, which will improve even more as builders finish some of the homes now under construction. We see the same phenomenon in the existing home market, where a lack of homes on the MLS is temporarily holding back sales (see the most recent [Wesbury 101](#)). The road ahead looks better than it has in years. Look for housing to continue to move higher, and to add to GDP for the fifth consecutive quarter.



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



New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	May-12		Apr-12	Mar-12	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
<b>New Single Family Homes Sales</b>	7.6%	369	343	347	353	351	19.8
<b>Northeast</b>	36.7%	41	30	27	33	29	127.8
<b>Midwest</b>	-10.6%	42	47	42	44	47	2.4
<b>South</b>	12.7%	204	181	201	195	193	16.6
<b>West</b>	-3.5%	82	85	77	81	82	10.8
<b>Median Sales Price (\$, NSA)</b>	-0.6%	234,500	236,000	239,500	236,667	231,700	5.6
		May-12	Apr-12	Mar-12	3-mo Avg	6-mo Avg	12-mo Avg
<b>Months' Supply at Current Sales Rate (Levels)</b>		4.7	5.0	5.0	4.9	5.0	5.7

Source: Bureau of the Census