

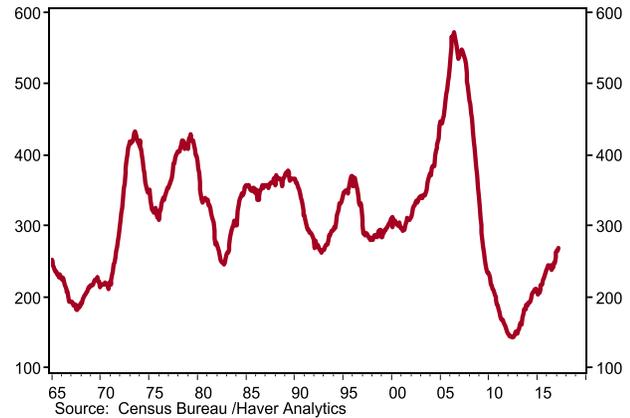
April New Home Sales

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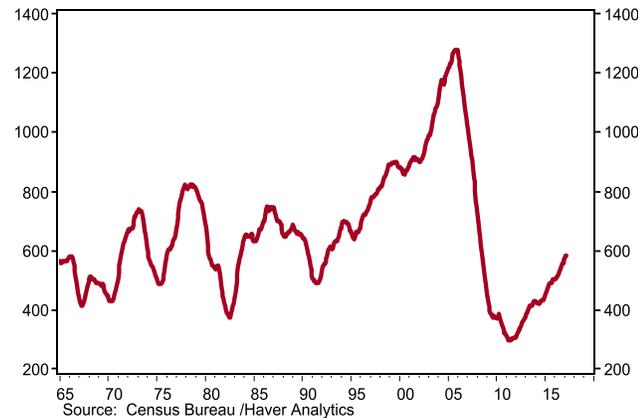
- New single-family home sales declined 11.4% in April to a 569,000 annual rate, well below the consensus expected pace of 610,000. Sales are up 0.5% from a year ago.
- Sales fell in all the major regions in April.
- The months' supply of new homes (how long it would take to sell the homes in inventory) rose to 5.7 months in April from 4.9 months in March. The increase in the months' supply was due to both a slower pace of sales and a gain in inventories of 4,000 units.
- The median price of new homes sold was \$309,200 in April, down 3.8% from a year ago. The average price of new homes sold was \$368,300, down 3.1% versus last year.

Implications: After annual revisions in today's report pushed up sales of new homes to their fastest post-recovery pace in March, the headline number disappointed in April, falling 11.4%, the largest one-month drop in over two years. Sales came in at a 569,000 annual rate in April, coming in below the estimate of even the most pessimistic economics group. However, it is important to remember home sales are very volatile and one month doesn't make a trend. Going forward, we expect the trend to remain upward and housing to remain a positive factor for the economy. First, employment gains continue, which should put upward pressure on wage growth, which is already accelerating. Second, credit standards in the mortgage market are starting to thaw. Third, the homeownership rate remains depressed as a larger share of the population is renting, leaving plenty of potential buyers as economic conditions continue to improve. Unlike single-family homes which are counted in the new home sales data, multi-family homes (think condos in cities) are not counted. So, a shift back toward single family units will also serve to push reported new home sales higher. Meanwhile, despite a 4,000 increase in unsold new homes, inventories remain low by historical standards (see chart to right) and are not a headwind to future construction. In fact, all of the gain in inventories in April was due to homes where construction had either yet to start or was still under way, with the inventory of completed homes remaining unchanged. Look for overall gains in home sales in the year ahead as these factors combine to drive expansion, and any headwind created by an increase in mortgage rates is offset by expectations of faster future economic growth. On the manufacturing front, the Richmond Fed index, which measures mid-Atlantic factory sentiment, fell unexpectedly to +1 in May from +20 in April, signaling further expansion in the factory sector, but at a slower pace.

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



New 1-Family Houses Sold: United States
 12-month Moving Average SAAR, Thous



New Home Sales	Apr-17		Mar-17	Feb-17	3-mo	6-mo	Yr to Yr
	% Ch	Level			moving avg	moving avg	% Change
All Data Seasonally Adjusted, Levels in Thousands							
New Single Family Homes Sales	-11.4%	569	642	607	606	591	0.5
Northeast	-7.5%	37	40	35	37	37	-5.1
Midwest	-13.1%	73	84	88	82	77	19.7
South	-4.0%	333	347	331	337	325	4.1
West	-26.3%	126	171	153	150	152	-13.7
Median Sales Price (\$, NSA)	-3.0%	309,200	318,700	299,200	309,033	315,917	-3.8
		Apr-17	Mar-17	Feb-17	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		5.7	4.9	5.2	5.3	5.3	5.2

Source: Bureau of the Census

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