

June New Home Sales

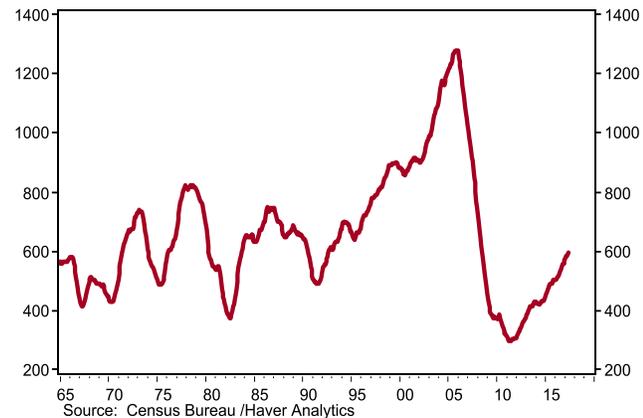
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- New single-family home sales rose 0.8% in June to a 610,000 annual rate, below the consensus expected 615,000. Sales are up 9.1% from a year ago.
- Sales rose in the West and Midwest, remained unchanged in the Northeast, and fell in the South.
- The months' supply of new homes (how long it would take to sell the homes in inventory) rose to 5.4 months in June from 5.3 months in May. The faster sales pace in June was more than offset by a 3,000 unit rise in inventories.
- The median price of new homes sold was \$310,800 in June, down 3.4% from a year ago. The average price of new homes sold was \$379,500, up 4.2% versus last year.

Implications: The trend in new home sales remains upward. Sales rose 0.8% in June and are up a healthy 9.1% from a year ago. Although the inventory of unsold new homes rose 3,000 in June, that's not a sign of overbuilding or a reason to be concerned. The months' supply of new homes – how long it would take to sell all the homes in inventory – is 5.4 months. By contrast, the average over the past decade is 6.7 months, the average over the past 20 years is 5.6 months. Moreover, 76% of the current inventory is made up of homes where construction either hasn't started yet or is still underway, meaning these aren't completed homes sitting unsold that will create a headwind for future construction. There are a few key reasons for our positive outlook on housing. First, job gains continue, which should put continued upward pressure on wage growth. Second, credit standards in the mortgage market are thawing. 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. Look for the upward trend in new home sales to continue in the next few years, which means more room for construction and inventories as well. On the home price front, the national Case-Shiller index increased 0.2% in May and is up 5.6% in the past year. That's an acceleration from the 5.0% gain in the year ending in May 2016. Meanwhile, the FHFA index, which measures prices for homes financed with conforming mortgages, increased 0.4% in May and is up 6.9% in the past year, an acceleration from the 5.9% price gain in the year ending in May 2016. Faster price gains and more rapid acceleration in the FHFA index are likely due to stricter limits on building middle- and lower-end housing. Regulations add to the fixed cost of housing, which are easier to absorb on higher priced homes. On the manufacturing front, the Richmond Fed index, which measures mid-Atlantic factory sentiment, increased to +14 in July from +11 in June. The +14 for July is the highest for any July since the late 1990s and signals continued health in manufacturing.

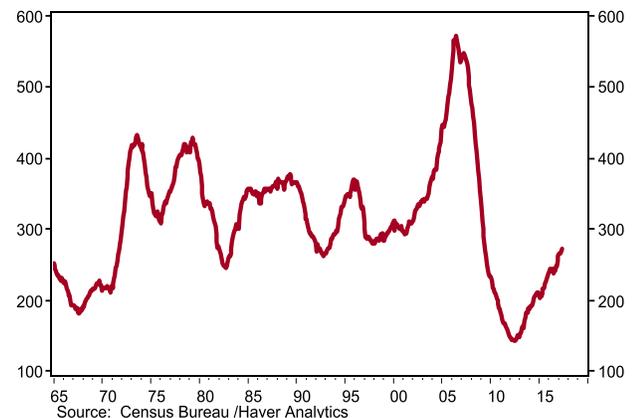
New 1-Family Houses Sold: United States

12-month Moving Average SAAR, Thous



New 1-Family Houses For Sale: United States

SA, Thous



| New Home Sales | Jun-17 | | May-17 | Apr-17 | 3-mo | 6-mo | Yr to Yr |
|--|--------------|----------------|---------------|---------------|-----------------|-----------------|------------------|
| | % Ch | Level | | | moving avg | moving avg | % Change |
| <i>All Data Seasonally Adjusted, Levels in Thousands</i> | | | | | | | |
| New Single Family Homes Sales | 0.8% | 610 | 605 | 577 | 597 | 607 | 9.1 |
| Northeast | 0.0% | 41 | 41 | 38 | 40 | 40 | 41.4 |
| Midwest | 10.0% | 66 | 60 | 74 | 67 | 74 | -12.0 |
| South | -6.1% | 323 | 344 | 322 | 330 | 333 | 0.9 |
| West | 12.5% | 180 | 160 | 143 | 161 | 161 | 33.3 |
| Median Sales Price (\$, NSA) | -4.2% | 310,800 | 324,300 | 309,500 | 314,867 | 313,617 | -3.4 |
| | | Jun-17 | May-17 | Apr-17 | 3-mo Avg | 6-mo Avg | 12-mo Avg |
| Months' Supply at Current Sales Rate (Levels) | | 5.4 | 5.3 | 5.5 | 5.4 | 5.3 | 5.2 |

Source: Bureau of the Census

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