

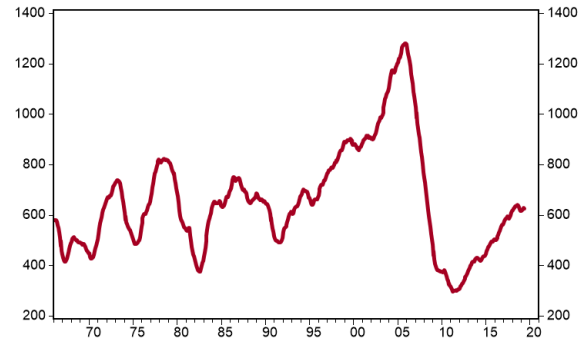
May New Home Sales

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- New single-family home sales declined 7.8% in May to a 626,000 annual rate, well below the consensus expected 684,000. Sales are down 3.7% from a year ago.
- Sales fell in the West and Northeast but rose in the Midwest and South.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) rose to 6.4 months in May from 5.9 months in April. The increase was due to both the slower pace of sales and a gain in inventories of 1,000 units.
- The median price of new homes sold was \$308,000 in May, down 2.7% from a year ago. The average price of new homes sold was \$377,200, up 1.2% versus last year.

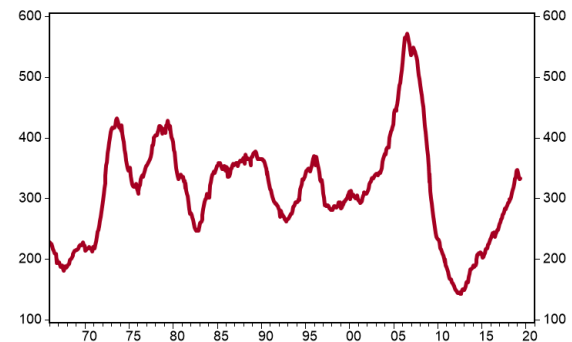
Implications: New home sales fell 7.8% in May to a 626,000 annual rate, coming in below even the most pessimistic forecast of any economics group. While sales are down 3.7% from a year ago, total sales January to May 2019 are up 3.7% over the same months in 2018. In addition, new home sales normally run around 70% of single-family housing starts. In May, even with the decline, new home sales were 76% of these starts after hitting 84% earlier this year. This tells us the pace of home building is likely to increase in the year ahead, which is part of the reason we think the US is nowhere close to recession. Affordability has been playing a big role in the recent rebound, with mortgage rates having fallen nearly 100 basis points after peaking in November, while new home prices have moderated, down year-over-year in four of the five months so far in 2019. Meanwhile, the fundamentals signal growth over the medium to long term. Relative to population, the number of new home sales remains well below where it should be. That means much more home construction will be needed; it's simple math. Bottom line, we expect sales and construction in 2019 to outpace 2018 and continue the upward trend. In other housing news this morning, different measures of home prices are also showing moderation. The national Case-Shiller index rose 0.3% in April and is up 3.5% from a year ago, a significant slowdown from the 6.5% gain in the year ending in April 2018. In the past twelve months, price gains were led by Las Vegas, Phoenix, and Tampa, while the slowest price gains have been in Seattle, San Diego, and Los Angeles. The FHFA index, which measures prices for homes financed with conforming mortgages, increased 0.4% in April, and is up 5.3% from a year ago, a deceleration from the 6.8% gain in the year ending in April 2018. Finally, on the manufacturing front, the Richmond Fed index, which measures mid-Atlantic factory sentiment, fell to 3 in June from 5 in May.

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



Source: Census Bureau/Haver Analytics

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



Source: Census Bureau/Haver Analytics

New Home Sales	May-19		Apr-19	Mar-19	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
<i>All Data Seasonally Adjusted, Levels in Thousands</i>							
New Single Family Homes Sales	-7.8%	626	679	705	670	648	-3.7
Northeast	-17.6%	28	34	26	29	30	-15.2
Midwest	6.3%	84	79	92	85	77	2.4
South	4.9%	389	371	386	382	376	1.3
West	-35.9%	125	195	201	174	165	-17.2
Median Sales Price (\$, NSA)	-8.1%	308,000	335,100	310,100	317,733	318,183	-2.7
		May-19	Apr-19	Mar-19	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		6.4	5.9	5.7	6.0	6.3	6.4

Source: Bureau of the Census