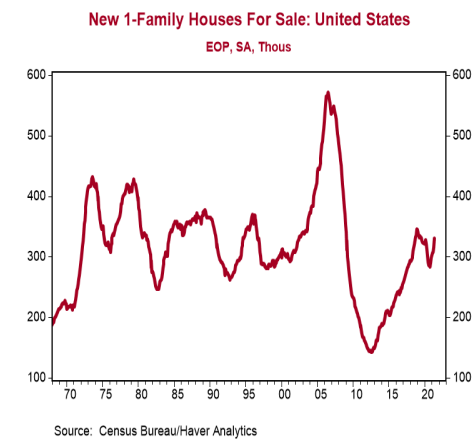
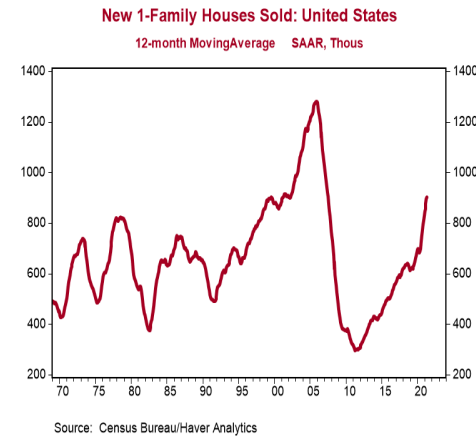


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May New Home Sales

- New single-family home sales fell 5.9% in May to a 0.769 million annual rate, well below the consensus expected 0.865 million. Sales are up 9.2% from a year ago.
- Sales in May fell in the South, rose in the Northeast and West, and remained unchanged in the Midwest.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) rose to 5.1 in May from 4.6 in April. The gain was due to a slower pace of sales and a 15,000 unit increase in inventories.
- The median price of new homes sold was \$374,400 in May, up 18.1% from a year ago. The average price of new homes sold was \$430,600, up 16.8% versus last year.

Implications: New home sales continued to disappoint in May, falling for the second month in a row and coming in below even the most pessimistic forecast by any economics group surveyed. Sales have generally been decelerating since January, as rapid price growth and a lack of completed homes available for sale continue to weigh on closings. While sales are now back to about where they were in February 2020 before the pandemic erupted, there has been an extreme amount of volatility in sales since then. A good way to cut through some of that volatility and get a better picture of the health of the housing market is to look at a 12-month moving average, which shows sales are currently at the fastest pace since 2007 despite recent declines. One obvious reason for the recent slowdown in sales has been the relentless growth in prices, with the median price of a new home now up 18.1% from a year ago. Moreover, buyers that are willing to brave these price gains are dealing with very few options when it comes to completed homes. It's true that overall inventories have been rising recently and now sit at the highest level since mid-2019. This has pushed up the months' supply (how long it would take to sell current inventory at today's sales pace) to 5.1 from record low readings of 3.5 in late 2020. However, almost all of this inventory gain continues to come from homes where construction has either not yet started or is still under way. Doing a similar calculation with just completed homes on the market shows a months' supply of just 0.6, near record lows going back to 1999. The good news is that the inventory of completed homes rose in May for the first time in thirteen months, and while it's too early to say if this represents a new trend, there are reasons to be optimistic. As we reported in [our recent report on housing starts](#), builders have plenty of projects in the pipeline to meet this demand and keep construction activity running on all cylinders for the foreseeable future. As more homes become available, we expect demand will remain strong and help maintain a rapid pace of sales in 2021.



New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	May-21		Apr-21	Mar-21	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
New Single Family Homes Sales	-5.9%	769	817	886	824	872	9.2
Northeast	33.3%	52	39	51	47	45	57.6
Midwest	0.0%	95	95	113	101	107	28.4
South	-14.5%	432	505	562	500	515	3.1
West	6.7%	190	178	160	176	204	6.7
Median Sales Price (\$, NSA)	2.5%	374,400	365,300	348,300	362,667	364,750	18.1
		May-21	Apr-21	Mar-21	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		5.1	4.6	4.2	4.6	4.3	4.0

Source: Bureau of the Census