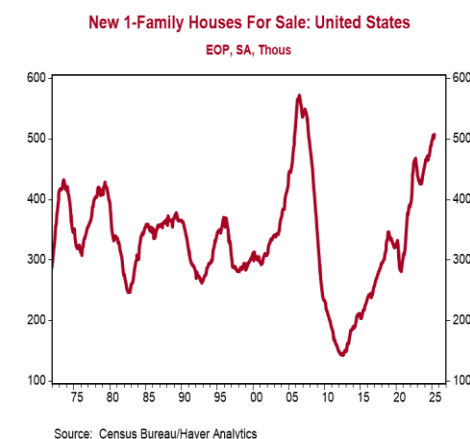
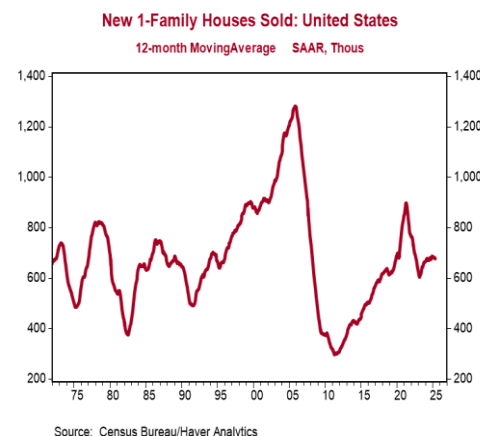


# May New Home Sales

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- New single-family home sales declined 13.7% in May to a 0.623 million annual rate, below the consensus expected 0.693 million. Sales are down 6.3% from a year ago.
- Sales in May fell in the South, Midwest, and West, but rose in the Northeast.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) rose to 9.8 in May. The gain was due to both the slower pace of sales and an increase in inventories of 7,000 units.
- The median price of new homes sold was \$426,600 in May, up 3.0% from a year ago. The average price of new homes sold was \$522,200, up 4.6% versus last year.

**Implications:** New home sales disappointed in May, coming in weaker than any economics group surveyed by Bloomberg expected, and hitting a seven-month low. May's decline of 13.7% was the largest since 2022 and happened on the heels of the largest gain since 2023 in April. Looking at the details, the South was responsible for the vast majority of today's decline in sales. From a big picture perspective, buyers purchased 623,000 homes at an annual rate. However, while that pace may be well below the highs of the pandemic, sales today are roughly where they were pre-pandemic in 2019. Though we expect a modest upward trend in sales in 2025, the housing market continues to face challenges. The biggest (and most obvious) is affordability. The Fed has recently paused their rate cuts, meaning the housing market is on its own for the time being with the average 30-yr fixed mortgage still hovering near 7%. Meanwhile, though median sales prices are down 7.3% from the peak in October 2022 they have been rising again recently and are up 3.0% in the past year. The Census Bureau reports that from Q3 2022 to Q1 2025 (the most recent data available) the median square footage for new single-family homes built fell 5.6%. So, while part of the drop in median prices is due to smaller/lower-cost homes, there has also been a drop in the price per square foot. This may be the result of developers offering incentives to buyers in order to move inventory. Supply has also put more downward pressure on median prices for new homes than existing homes. The supply of completed single-family homes is up over 280% versus the bottom in 2022. This contrasts with the market for existing homes which continues to struggle with an inventory problem, often due to the difficulty of convincing current homeowners to give up the low fixed-rate mortgages they locked-in during the pandemic. While the future cost of financing remains a question, lower priced options and an abundance of inventories will help fuel new home sales in 2025. In other recent housing news, home prices declined in April. Both the Case-Shiller and FHFA index fell 0.4% for the month but are up 2.7% and 3.1% respectively from a year ago. We also got new data on the M2 measure of the money supply, which rose 0.4% in May and is up 4.5% from a year ago. This remains below the 6% growth that has been normal over the past few decades, and in combination with recent inflation reports, we think the Fed has room for modest rate cuts. Finally, on the manufacturing front, the Richmond Fed index, a measure of mid-Atlantic factory activity, increased to a still weak reading of -7 in June from a reading of -9 in May.



New Home Sales		May-25		Apr-25	Mar-25	3-mo	6-mo	Yr to Yr
All Data Seasonally Adjusted, Levels in Thousands		% Ch	Level			moving avg	moving avg	% Change
<b>New Single Family Homes Sales</b>		<b>-13.7%</b>	<b>623</b>	722	659	668	671	-6.3
<b>Northeast</b>		<b>32.1%</b>	<b>37</b>	28	27	31	31	48.0
<b>Midwest</b>		<b>-7.1%</b>	<b>78</b>	84	65	76	73	-3.7
<b>South</b>		<b>-21.0%</b>	<b>349</b>	442	408	400	405	-15.5
<b>West</b>		<b>-5.4%</b>	<b>159</b>	168	159	162	163	8.9
<b>Median Sales Price (\$, NSA)</b>		<b>3.7%</b>	<b>426,600</b>	411,400	403,700	413,900	418,233	3.0
			<b>May-25</b>	<b>Apr-25</b>	<b>Mar-25</b>	<b>3-mo Avg</b>	<b>6-mo Avg</b>	<b>12-mo Avg</b>
<b>Months' Supply at Current Sales Rate (Levels)</b>			<b>9.8</b>	8.3	9.2	9.1	9.0	8.7

Source: U.S. Census Bureau