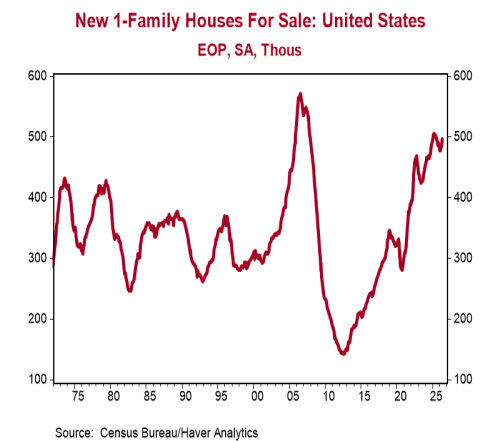
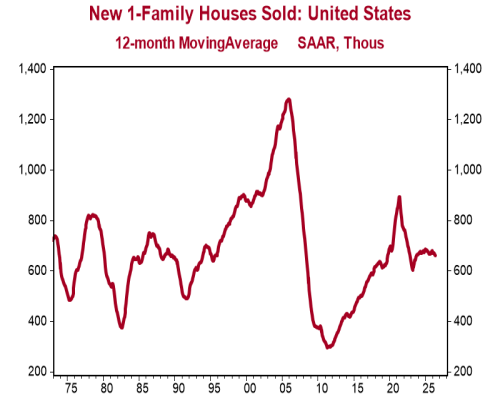


May New Home Sales

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- New single-family home sales declined 7.3% in May to a 580,000 annual rate, well below the consensus expected 640,000. Sales are down 6.8% from a year ago.
- Sales in May fell in the West and South, but rose in the Midwest and Northeast.
- The months' supply of new homes (how long it would take to sell all the homes in inventory) increased to 10.3 in May. The gain was driven by both a slower pace of sales and an 11,000 unit increase in inventories.
- The median price of new homes sold was \$424,900 in May, unchanged from a year ago. The average price of new homes sold was \$540,600, up 5.0% versus last year.



Source: Census Bureau/Haver Analytics

Implications: New homes sales were much weaker than expected in May, coming in below even the most pessimistic forecast of any economics group surveyed by Bloomberg. Sales fell 7.3% in May and now sit at a 580,000 annual rate, nearly matching the slowest pace of activity since 2022. May's sales pace is also on the weaker end of pre-pandemic levels, which has been a ceiling of sorts for activity the past couple of years. Unfortunately, the ongoing conflict with Iran and its impact on energy prices and inflation have introduced new challenges. First, financing costs have risen in response, with the average 30-yr fixed mortgage rate up roughly 45 basis points since the start of the conflict. Second, despite a new Chairman at the Federal Reserve, further rate cuts are on hold for the time being. But while buyers are unlikely to get much help from interest rates, the good news is that prices have been trending lower for new builds in the past several years. Median sales prices are down 8% from the peak in October 2022. Meanwhile, the Census Bureau reports that from Q3 2022 to Q1 2026 (the most recent data available) the median square footage for new single-family homes built rose 3.7%. So, buyers are seeing a drop in the price per square foot, not just smaller/lower cost options. This is partially 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 has been trending down recently but is still up 280% versus the bottom in 2022. This contrasts with the market for existing homes, which continues to struggle with convincing current homeowners to give up the low fixed-rate mortgages they locked-in during the pandemic to list their homes. While financing costs remain a headwind, less expensive options and an abundance of inventories may give home sales a modest boost in 2026. In other recent news, the M2 measure of the money supply jumped 1.1% in May, the largest monthly increase since 2021. Despite the sharp monthly gain, M2 is up 5.6% from a year ago, still below its historical growth rate of about 6%, but worth watching closely in the months ahead for signs of more acceleration. In recent manufacturing news, the Philadelphia Fed Manufacturing Index, a measure of factory sentiment in that region, increased to +10.3 in June from -0.4 in May. The Richmond Fed index, a measure of mid-Atlantic factory activity, declined to 4 in June from 13 in May. Finally, on the labor front, initial jobless claims from declined 4,000 two weeks ago to 226,000; continuing claims rose 24,000 to 1.810 million.

New Home Sales	May-26		Apr-26	Mar-26	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	-7.3%	580	626	664	623	633	-6.8
Northeast	3.0%	34	33	33	33	35	17.2
Midwest	16.2%	79	68	85	77	83	-3.7
South	-4.1%	350	365	412	376	375	-5.4
West	-26.9%	117	160	134	137	141	-17.0
Median Sales Price (\$, NSA)	2.0%	424,900	416,500	393,100	411,500	415,300	0.0
		May-26	Apr-26	Mar-26	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		10.3	9.3	8.7	9.4	9.2	8.9

Source: U.S. Census Bureau