

# U.S. Data Review

- New home sales: solid gain in May

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## New Home Sales

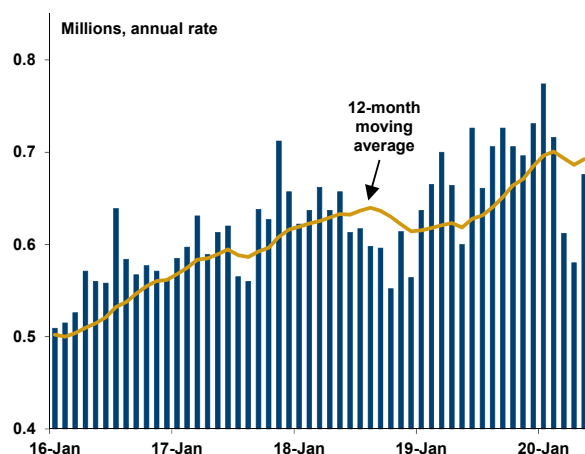
Sales of new homes jumped 16.6 percent in May, easily beating the expected increase of 2.7 percent. The change occurred from downward revised levels in prior months (total sales in the past three months combined were 2.6 percent lower than previously believed), but the level of activity in May was still above expectations (676,000 homes, annual rate, versus an expectation of 640,000; chart, left).

Sales in May were shy of the best readings of the past year and a bit below the average of 685,000 for 2019, but considering the virus-related constraints and uncertainties, the performance was quite good. It also was broad-based geographically, as three of the four major regions of the country posted gains. Sales in the Midwest fell 6.4 percent, but activity in the other three regions posted gains ranging from 15.2 percent to 45.5 percent.

Sales of new homes in May far outperformed sales of existing homes, which fell 9.7 percent. The disparity partly reflects differences in definitions. Sales of new homes are based on contracts signed to purchase a dwelling, and with lockdown restrictions starting to ease in May, individuals could begin searching and agreeing to purchase. Sales of existing homes, in contrast, are based on closings, which usually follow the signing of a contract by a month or two. With the economy locked down in part of March and April, closings in May would be restrained.

The firm pace of sales in May, along with a drop in new construction, led to a decline of 2.2 percent in the number of new homes for sale. The months' supply of homes for sale eased to 5.6 months, backing away from elevated readings in the prior two months (average of 6.6 months) and returning to the middle of the range from the past few years (chart, right).

### New Home Sales



Source: U.S. Census Bureau via Haver Analytics

### Month's Supply of Unsold Homes



Source: U.S. Census Bureau via Haver Analytics

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