

U.S. Data Review

- New home sales: a modest rebound, but decreased affordability remains a key headwind

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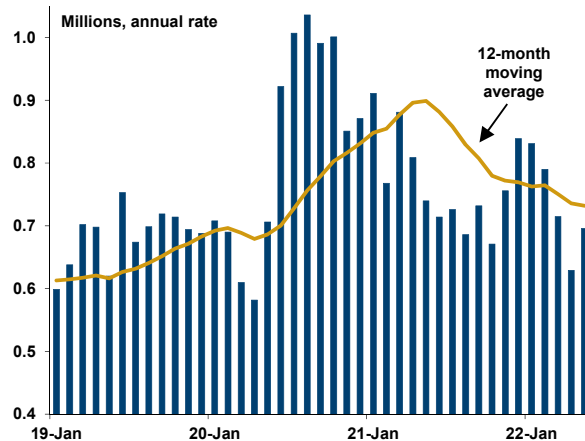
New Home Sales

Sales of new homes rose 10.7 percent in May to 696,000 units (versus an expected dip of 0.2 percent). In addition, upward revisions to results in the prior three months left activity 2.0 percent firmer than previously believed. Despite the upside surprise, sales in May were still in the low end of the range of the current expansion. Elevated prices and sharply higher interest rates have sapped much of the vigor from the market that was present earlier in the expansion, as activity is 16.2 percent below the 831,000 pace in 2020 (the best performance of the current expansion).

Sales varied widely across the four major regions of the country. Activity in the Northeast plunged 51.1 percent and sales in the Midwest fell 18.3 percent, with both hovering in the low ends of their longer-term ranges. Sales in the West, in contrast, jumped 39.3 percent, returning to the middle of the recent range, and sales in the South increased from a low level (up 12.8 percent).

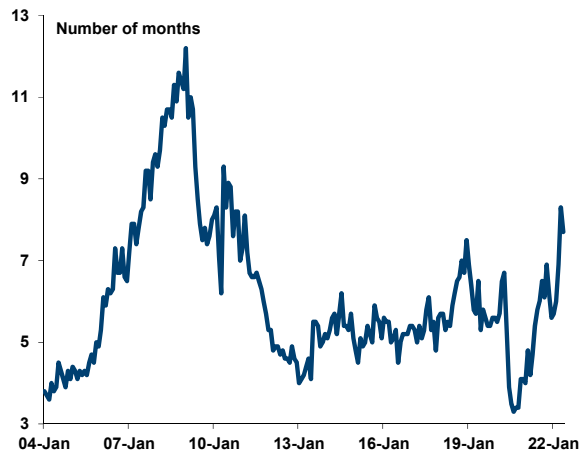
The number of homes for sale rose 1.6 percent in May to 444,000, the highest since 2008 (when the housing bubble was in the process of deflating). Although inventories rose, the increase in sales nudged the months' supply of homes lower (7.7 months in May versus from 8.3 months in April). The latest observation was still elevated from a longer-term perspective, and notably different than the tight supply situation in the market for existing homes.

New Home Sales



Source: U.S. Census Bureau via Haver Analytics

Months' Supply of Unsold Homes



Source: U.S. Census Bureau via Haver Analytics

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