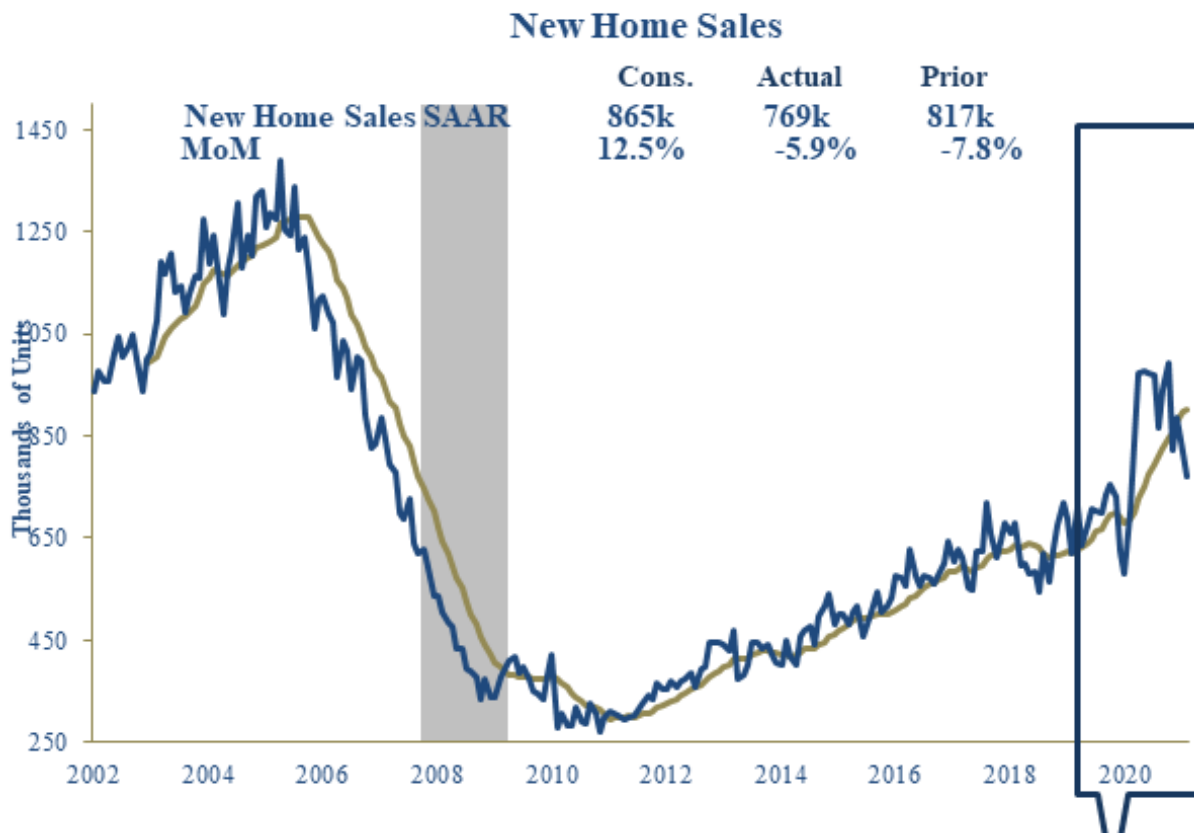
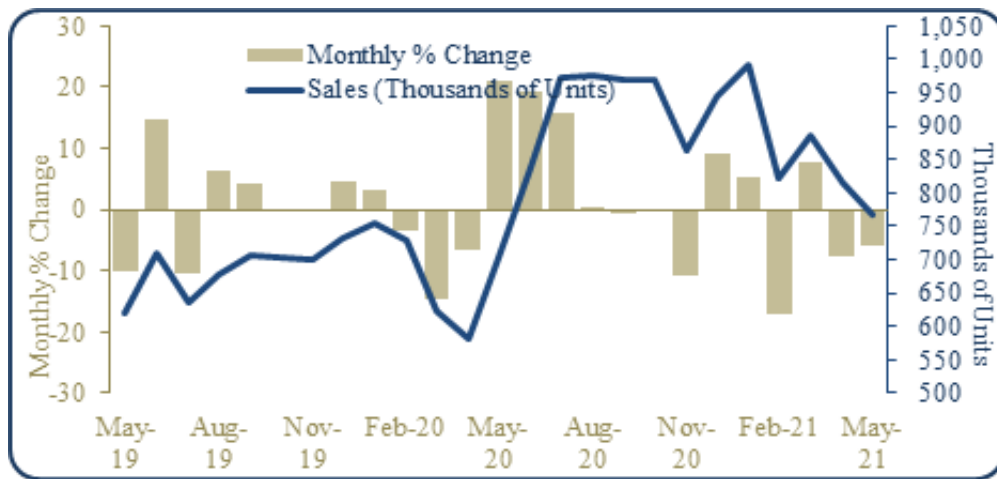


23.Jun.2021

New Home Sales: Sharply Lower As Lower-End Buyer Priced Out

Bottom Line: New home sales fell sharply more than expected in May and were revised lower for April. Median sales prices were higher for the second month in a row as the composition of sales skewed towards more expensive homes. As we saw in existing home sales, it appears that the lower-end buyer has been priced out of the market amid higher mortgage rates and higher prices. On a trend basis, the level of new home sales remains robust, but the pace of gains has slowed notably with the three-month average at 824k units, well below the 12-month average of 902k, and the 2020 pace of 943k. Looking forward, affordability will remain a big issue, with mortgage rates still hovering above 3%. Housing likely remained an important driver of growth in the 2nd Quarter, but the housing tailwind for the economy will be slowing in the 2nd half of 2021.





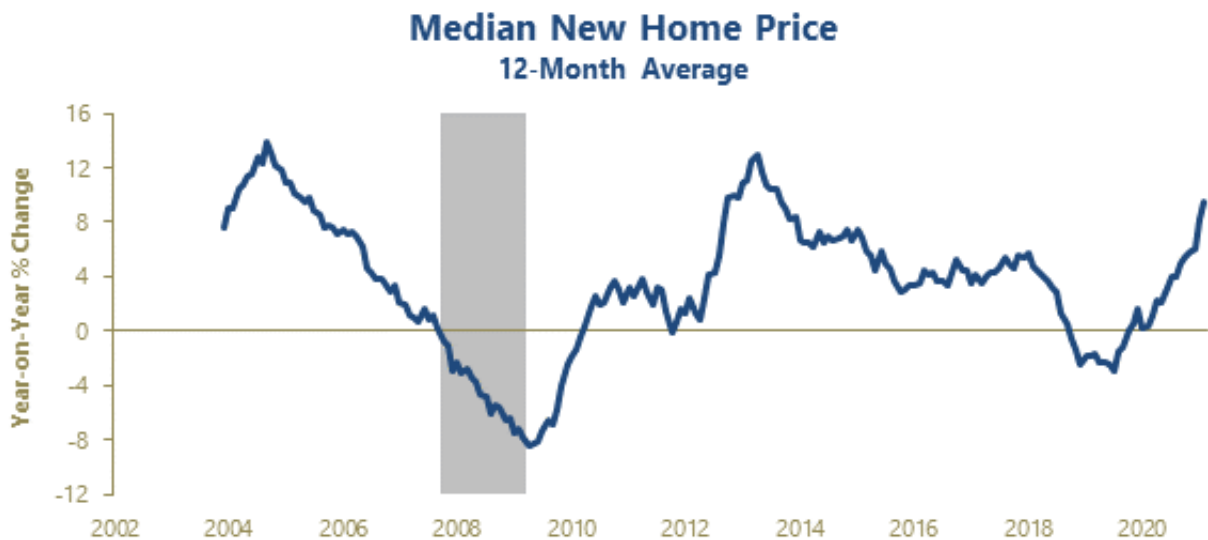
New Home Sales FELL by 5.9% to 769k, after the prior month was revised lower to 817k. This compared with market expectations for an increase to 865k, from the unrevised April level of 863k.

Sales are now 9.2% ABOVE their year-ago level.

The Inventory of Homes Available for Sale ROSE by 4.8% to 330k. Inventories are now 5.8% ABOVE their year-ago.

Combined with the decline in sales, the **Months' Supply** increased to 5.1 months from 4.6 months. This is modestly BELOW a normal level of 6.0 months.

Home Prices ROSE with median prices 18.1% ABOVE their year-ago level and with average prices 16.8% ABOVE their year-ago level.



New Home Months' Supply



	Monthly (thousands of units)				Averages						
	May-21	Apr-21	Mar-21	Feb-21	Three Month	Six Month	Twelve Month	2020	2019	Five Year	Ten Year
New Home Sales	769	817	886	823	824	872	902	943	733	692	568
(percent change)	-5.9	-7.8	7.7	-17.1				28.6	29.5		
Northeast (thousands)	52	39	51	40	47	45	44	41	39	36	31
(percent change)	33.3	-23.5	27.5	-14.9				5.1	44.4		
Midwest (thousands)	95	95	113	104	101	107	105	112	83	78	69
(percent change)	0.0	-15.9	8.7	-16.1				34.9	33.9		
South (thousands)	432	505	562	465	500	515	529	553	399	393	320
(percent change)	-14.5	-10.1	20.9	-19.1				38.6	13.4		
West (thousands)	190	178	160	214	176	204	225	237	212	186	148
(percent change)	6.7	11.3	-25.2	-13.4				11.8	69.6		
Inventory (thousands)	330	315	307	306	317	310	300	299	322	303	244
Months' Supply	5.1	4.6	4.2	4.5	4.6	4.3	4.0	3.8	5.3	5.4	5.2
Median Sales Price (\$000)	374.4	365.3	348.3	362.0	362.7	364.8	352.3	323.1	321.6	305.6	269.5
(year-on-year percent change)	18.1	17.8	6.1	9.1	13.9	12.5	9.5	0.5	4.9		
Average Sales Price (\$000)	430.6	420.9	408.3	407.5	419.9	414.6	402.6	379.3	377.8	361.4	321.5
(year-on-year percent change)	16.8	16.8	8.8	5.5	14.1	10.4	6.9	0.4	5.2		

Source: Bureau of the Census via Bloomberg. Our calculations.
 Copyright © Contingent Macro Advisors, LLC. All rights reserved. Reproduction and/or redistribution are expressly prohibited. "Economic Advisory Service" is a registered trademark of Contingent Macro Advisors, LLC. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed.

T.J. Connelly, Head of Research

June 23, 2021

Steven A. Wood, Senior Economic Adviser