



Economics Group

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New Home Sales Rise to Post-Recession High in June

New home sales bested consensus expectations in June, rising 3.5 percent on the month to an annual rate of 592,000 homes. With six months of data in the books, new home sales appear to be on pace for a solid 2016.

New Home Sales Gain in June

Sales for new homes rose more than the consensus forecast in June, increasing 3.5 percent to a seasonally adjusted annual rate of 592,000 homes (top chart). The previous month's data, which showed a 6.0 percent decline, was also revised higher and now shows no change. New home sales are up 25.4 percent from a year ago and June's 592,000-unit pace marks a post-recession high, as new home sales are at their highest level since February 2008.

For the first six months of 2016, new home sales are running a strong 10.1 percent ahead of their year-ago level. At the regional level, new home sales in the Northeast and Midwest have seen the greatest strengthening, reporting a 64.7 percent and 17.5 percent pickup, respectively, on a year-to-date basis. Both were helped by mild winter weather. New home sales in the South and West are each up a more modest 6.5 percent.

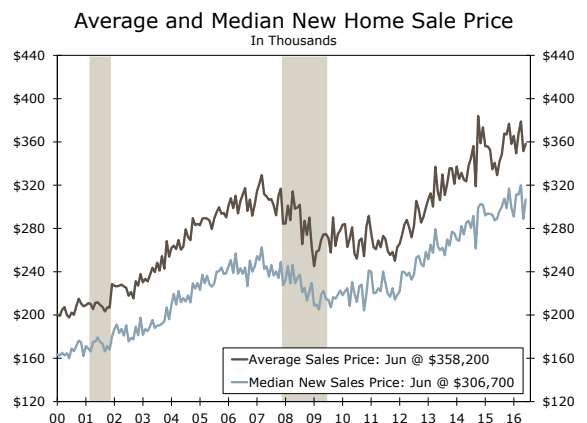
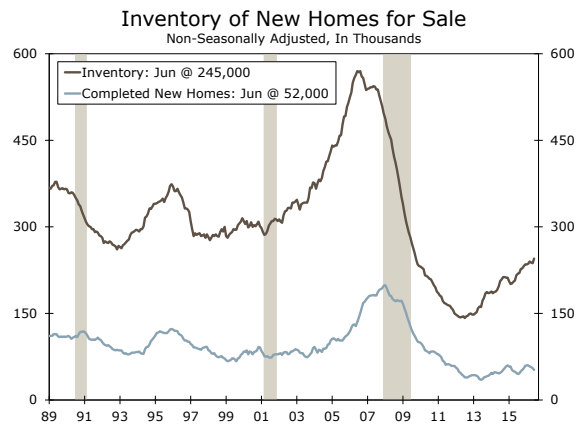
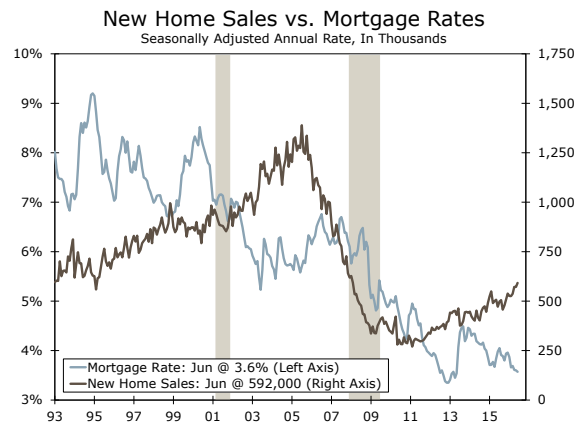
Months' Supply Edges Lower

A shortage of inventory remains one of the greatest challenges for the U.S. housing market. The months' supply of new homes fell to 4.9 months in June, as the pace of sales rose faster than inventories. Inventories ticked up slightly to a seasonally adjusted 244,000 homes available for sale (middle chart). The bulk of inventory continues to be concentrated in homes under-construction, which account for 59 percent of new home inventory. Completed inventory accounts for just 23 percent of homes available for sale.

Tight inventory levels continue to support home prices, with both the median and average sales price up more than 6 percent over the past year. Median home prices reported a particularly large gain in June, rising 6.2 percent on the month to \$306,700 (bottom chart). The majority of sales activity continues to occur at the higher-end, as homes under \$150,000 accounted for a mere 3 percent of sales in June and homes above \$400,000 accounted for 31 percent of sales. While inventories remain low, recent housing starts data show single-family home completions up 17.9 percent over the past year, which should support sales and may slow price gains in the year ahead.

Momentum Continues to Build in the U.S. Housing Market

June's solid report follows a string of positive data for the U.S. housing market. Existing home sales reached a post-recession high in June, new home construction continues to edge higher and home builder sentiment has remained at a solid level. Low mortgage rates and favorable residential credit conditions also remain supportive for further sales gains. The recent data are consistent with our forecast for continued modest improvement in the housing market this year. Demand for homes is solid across much of the country and recent gains would likely have been even higher if not for the lack of homes available for sale.



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