

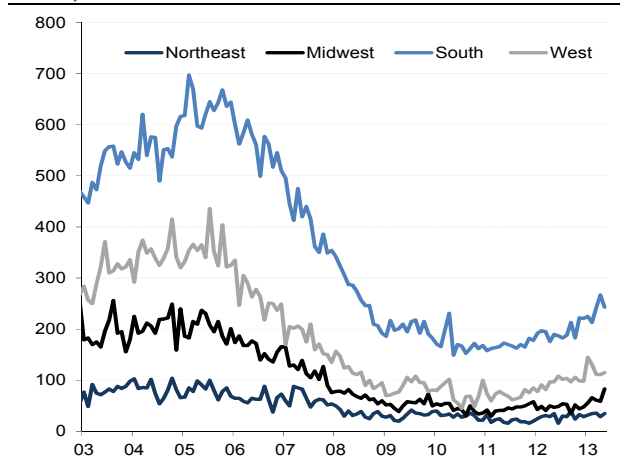
# U.S. Housing Flash

## New Home Sales Surge In May On Strong Regional Shifts

- Sales of new homes in May surged higher than expected as April was revised upward
- The supply of new homes remains low at 4.1 months
- Median sales price declined 3.2% despite stronger data from other indicators

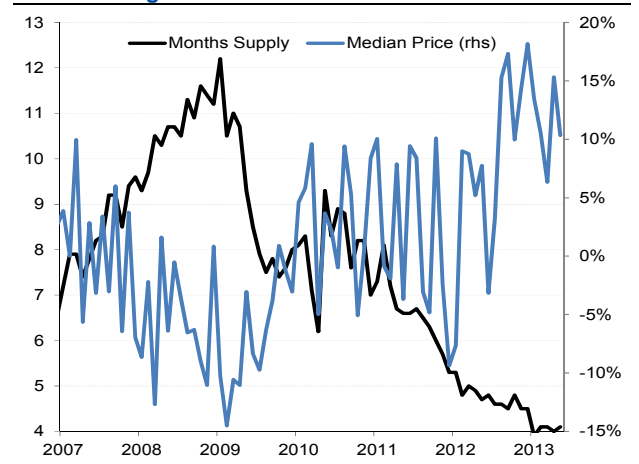
While other parts of the economy may be sputtering, the housing market continues to show the strength and resilience of the consumer. May's new homes sales rose 10K to 476K from a revised figure in April, continuing a 4-month trend of strong growth in the sector. Unlike prior months, it was the Northeast and Midwest that led the charge in growth for the month, up 21% and 41% respectively. This comes on the back of a slow start to the year for both of the regions while the South and West were experiencing much faster growth. Nevertheless, the U.S. overall has been experiencing moderate growth throughout the nation with new home sales rising for the past three months above 1.3%. The key factor constricting a lot of the possible growth in the new home market is the constrained supply which has been declining steadily since the end of the recession and has stabilized in recent months to around four months. This is getting close to decade lows of 3.5-3.8 months and would further stress the markets ability to function if too few houses are available for purchase. However, given the rise in the price of homes as of late, it is possible that the market for existing homes may be able to divert some of the demand away from new homes as more existing properties come online for sale. While the median price of new homes declined 3.1% in May, the recent release of S&P Case Shiller and FHFA data for home prices in April continues to show marked growth across the nation, with the Case-Shiller 20-city figure surging 12% on a MoM basis. We expect May to show similar strength and therefore continue to bring more sellers into the market as home values rise. Overall, we expected the new homes portion of the market to continue to grow as construction remains moderate and prices well below their peaks, leaving much room for upward momentum.

Graph 1  
**New Home Sales, by Region**  
SAAR, Thousands



Source: U.S. Census Bureau & BBVA Research

Graph 2  
**Median Price and Months' Supply at Current Sales Rate**  
YoY % Change and Ratio



Source: U.S. Census Bureau & BBVA Research

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