

THE WALL STREET JOURNAL.

Pace of U.S. New Home Sales Slows in May

Purchases of new, single-family homes fell 6% from April

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June 23, 2016



Purchases of new, single-family homes fell 6% in May from April, but the pace still indicates healthy expansion in the sector. PHOTO: CHRIS O'NEARA/ASSOCIATED PRESS

WASHINGTON—Sales of new homes slipped in May, but the pace was still the second best for a month since the recession ended, behind April's jump.

[Purchases of new, single-family homes](#) fell 6% in May from a month earlier to a seasonally adjusted annual rate of 551,000, the Commerce Department said Thursday.

April's rate was cut to 586,000 from an initially estimated 619,000 but still rose 12.3% from March. April's rate was still the fastest pace since February 2008.

"Through the volatility, the trend still looks upward," said Jim O'Sullivan, economist at High Frequency Economics. Year to date, new-home sales advanced 6.4% compared with the same period in 2015.

New homes make up just a tenth of all home purchases, and figures are often subject to large revisions. May's report came with a margin of error of plus or minus 12.8 percentage points.

Broadly, other data show the housing market as a bright spot in an otherwise choppy economy.

[Sales of existing homes](#) rose to their highest level in more than nine years, the National Association of Realtors said Wednesday. A separate Commerce Department report showed that [newly started home construction](#) was well above year-earlier levels in May, though the pace slipped slightly from April. Spending on home construction and remodeling grew at the fastest pace in more than three years at the start of 2016, helping support an otherwise lackluster quarter.

Consistent employment gains and low mortgage rates are supporting the housing market. While [hiring slowed in May](#), the economy has been adding jobs for 6½ years. A 30-year fixed-rate mortgage averaged 3.54% for the week ended June 16, down from 4% a year earlier, according to Freddie Mac.

Rick Fletcher, vice president of sales and marketing at MBK Homes in Irvine, Calif., said several of the company's communities exceeded sales expectations during the spring selling season, when the real-estate market tends to pick up as families look to settle into school districts for the fall. He expects that pace to continue through the rest of the year because "There just aren't enough houses, especially in Southern California."

This week major public builders Lennar Corp. and KB Home both posted double-digit increases in the value of new orders and home deliveries for the second quarter.

May's new-homes sales pace, meanwhile, keeps the market on track to beat 2015's total 501,000 new homes, the highest annual level since 2007. But the month's rate remains below the annual average of 653,000 on records back to 1963.

However, two recent trends in the new-home market, higher prices and shrinking inventories, reversed in the latest data.

The median price of a new home—the point at which half of homes were sold above and half sold below—was \$290,400 last month. That was down from April, and up 1% from a year earlier. Prices aren't adjusted for seasonal factors.

Thursday's report showed that inventories of new homes expanded in May. Based on the current sales pace, it would take 5.3 months to exhaust the supply of new homes on the market, compared with 4.9 months during the prior month. The total number of new homes for sale at the end of the month was 244,000, the highest figure since September 2009.

—Chris Kirkham contributed to this article.