



# Economics Group

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## New Home Sales Drop to its Lowest Level on Record

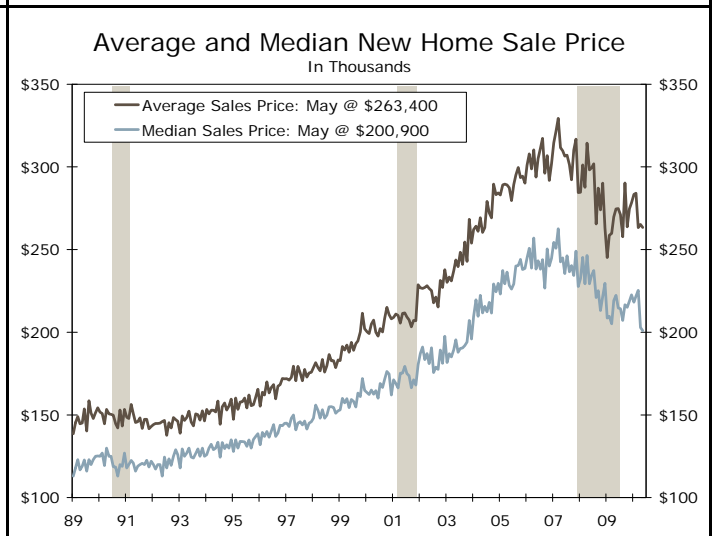
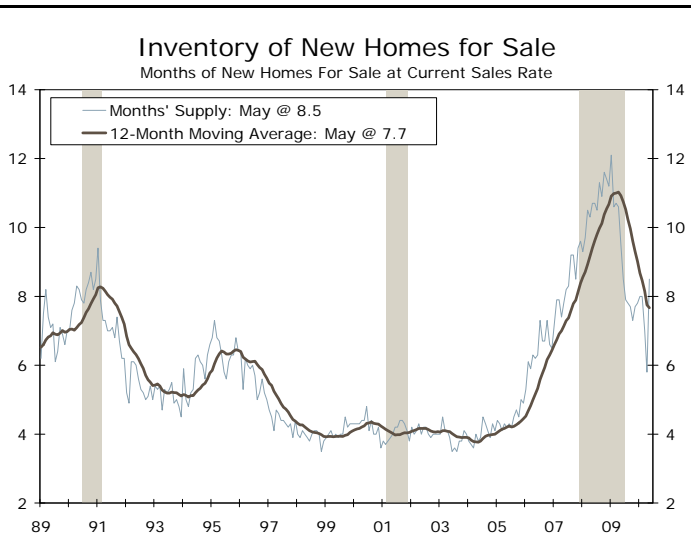
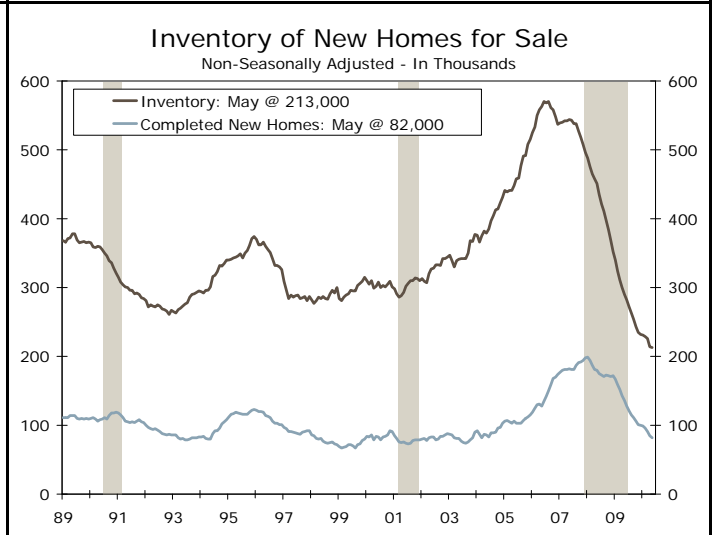
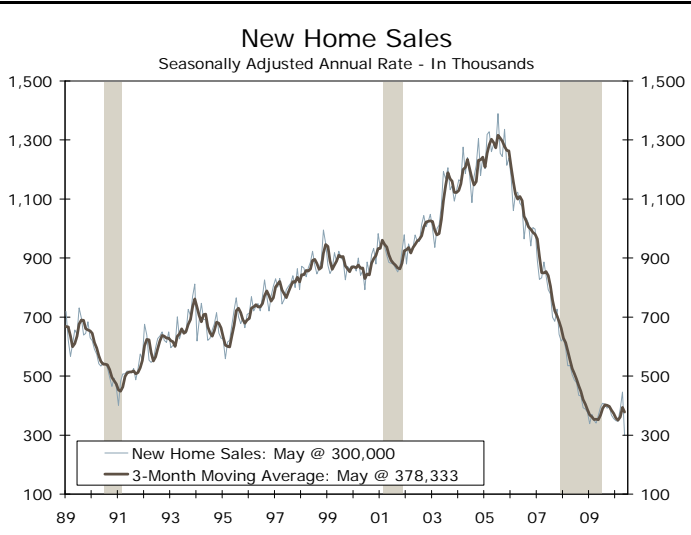
**New home sales plummeted 32.7 percent in May likely reflecting the expiration of the homebuyers' tax credit. April was significantly downwardly revised to 446,000 units. Seasonal adjustments may also be at play.**

### Surprise Decline Likely Due to Tax Credit Payback

- Giving back much of their recent gains, new home sales dropped 32.7 percent in May to a 300,000-unit pace from a downwardly revised rate of 446,000 in April. The sharp decline in new home sales in May likely reflects the expiration of the homebuyers' tax credit. To qualify for the incentive, contracts had to be signed before April 30. The seasonal adjustment process also likely exaggerated the slowdown.

### Inventories for New Homes Continue to Decline

- Inventories of homes for sale fell for the third consecutive month to 213,000, its lowest level in nearly 40 years. The actual number of homes available for sale is now lower than any other recession since the series began in 1963. Due to the sharp decline in new home sales, months' supply is now 8.5 months. Both the median and average sales price continued to tumble in May.



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