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New single-family home sales post second straight monthly decline

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WASHINGTON • Sales of new U.S. single-family homes unexpectedly fell in May, weighed down by higher mortgage rates and prices, dampening hopes for a housing recovery this year after prolonged weakness.

The second straight monthly decline in sales reported by the Commerce Department on Wednesday underscored the challenges facing prospective homeowners. Economists and Realtors say stubbornly high mortgage rates, which have increased in the wake of the U.S.led war with Iran, were pricing out buyers.

Now

"There are not enough homes on the market and those that are listed are at mostly unaffordable levels," said Christopher Rupkey, chief economist at FWDBONDS.

"The housing price bubble is still inflating, a slower rate of advance than it had been, but home prices overall are still moving higher except for some regional markets that had seen prices run-up too high.

New home sales dropped 7.3% to a seasonally adjusted annualized rate of 580,000 units last month, the lowest level since January, the Commerce Department's Census Bureau said. Sales plunged to a seven-month low in the West. They fell in the South, but rose in the Northeast and Midwest.

New home sales, which are counted at the closing of a contract, account for a small share of U.S. home sales. They declined 6.8% year-over-year in May. The nearly four-month war has driven up oil prices, boosting inflation and Treasury yields, which are tracked by mortgage rates.

The rate on the popular 30-year fixed mortgage has increased by about 50 basis points since the conflict started at the end of February, data from mortgage finance agency Freddie Mac showed. It averaged 6.47% last week.

A Bank of America Institute report on Tuesday showed homeownership sentiment among consumers increased this year for the first time since 2023, but affordability remained the top barrier for prospective buyers. About 47% of consumers identified high interest rates as one of the key factors causing them to delay buying a home. That was up from 40% in 2025.

Though the median new house price was little changed at $424,900 from a year earlier, the average price increased 5.0%, the Census Bureau report showed. Most of the homes sold last month were in the $300,000-$499,999 range. Builders have been cutting prices and offering sales incentives to lure buyers.

With sales declining, new housing inventory increased to 496,000 units in May, the highest level since July 2025, from 485,000 units in April. Despite the increase in the supply of new single-family units, there is a national housing shortage, specifically of starter homes.

The National Association of Home Builders estimates the housing shortfall at about 1.2 million homes. The new housing inventory overhang could make it difficult for builders to break ground on new single-family housing projects.