



Economics Group

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New Home Sales Drop to a New Record Low

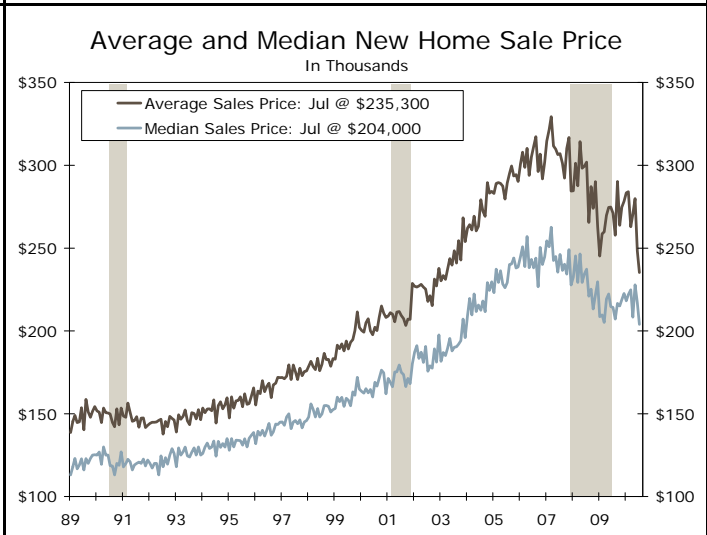
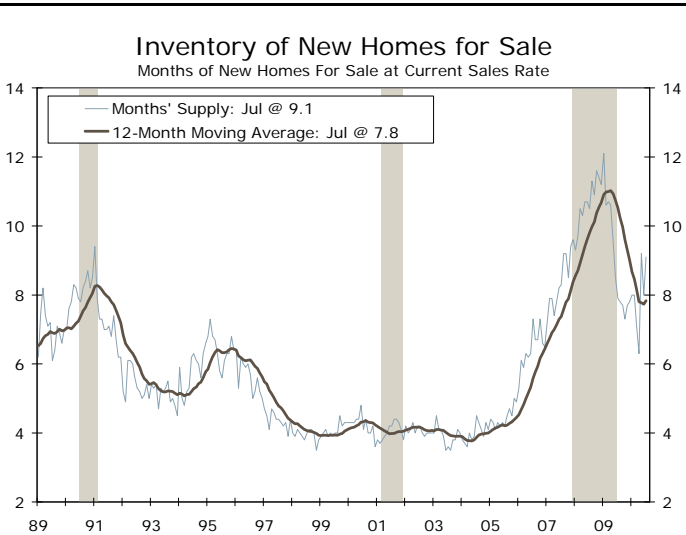
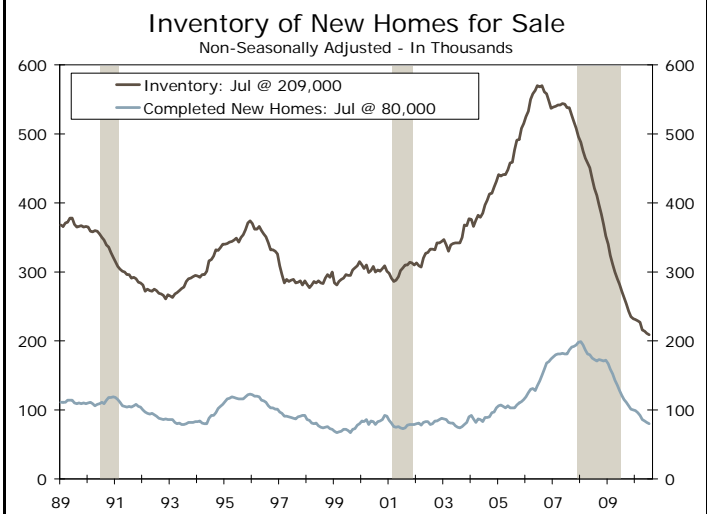
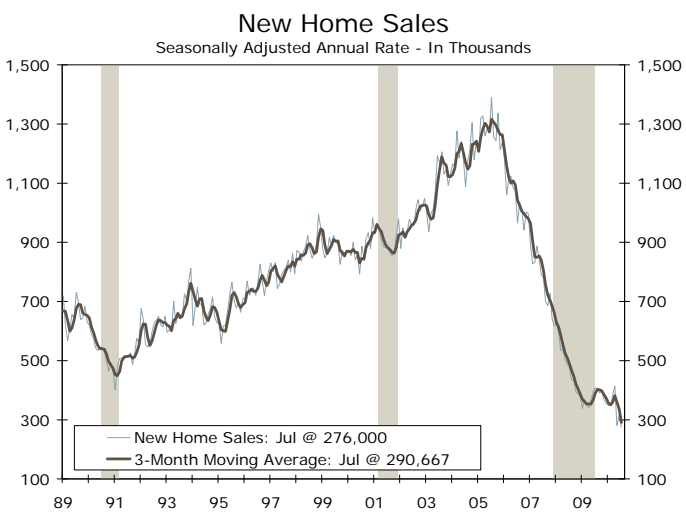
New home sales fell 12.4 percent in July, which was well below the consensus estimate. Prior months' data were revised downward. The absolute level of sales dropped to a 276,000-unit pace, which is a record low.

Surprise Drop in New Home Sales

- New home sales fell 12.4 percent to a 276,000-unit pace, setting a new record low. Prior months' data were revised down by 9,000. The magnitude of the decline was clearly a surprise and was likely due to continued distortions from the homebuyers' tax credit, but it nonetheless illustrates a weak housing market. A sustainable recovery in housing won't occur until we see consistent gains in income and employment.

Inventories Now at 42-Year Low

- Inventories of homes for sale remained unchanged from the prior month at 210,000, its lowest level in 42 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 9.1 months. Both the median and average sales price continued to tumble in July.



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

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