

Economics Group

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New Home Sales Also Saw Steep Drop to End 2009

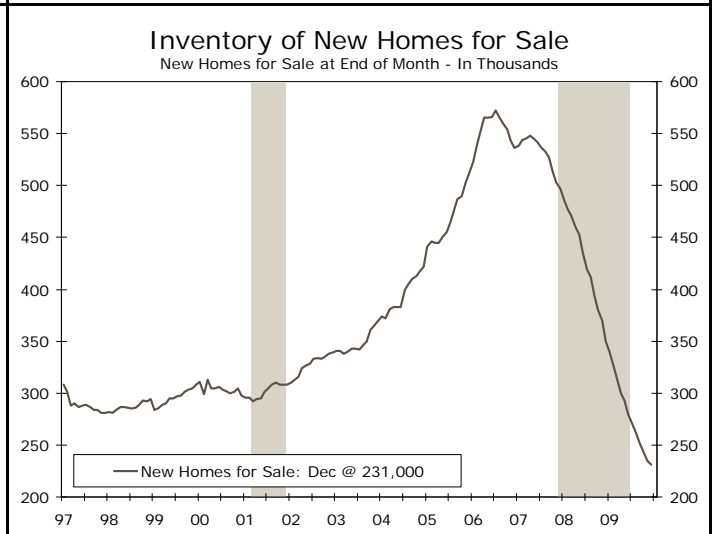
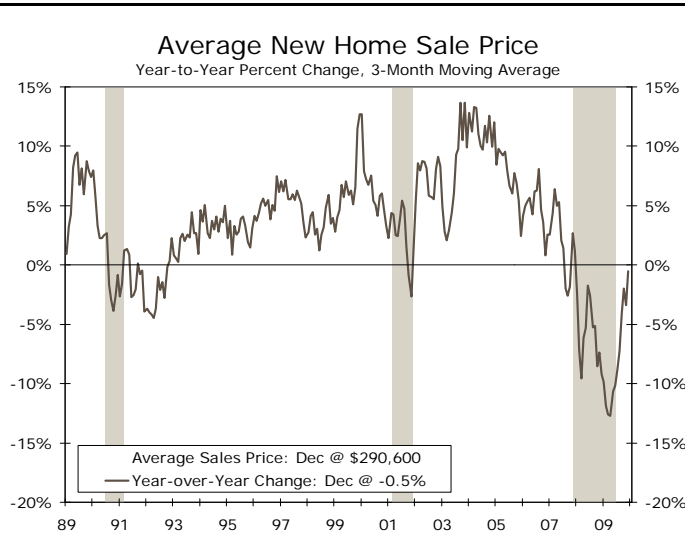
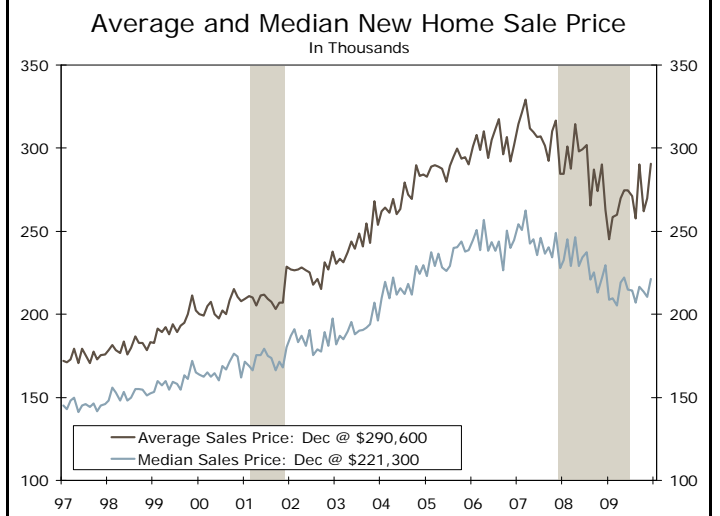
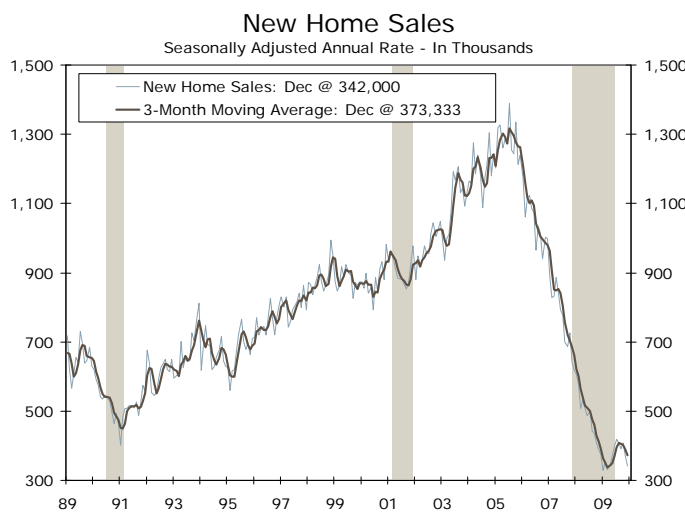
Like existing home sales yesterday, new home sales saw a steep drop in December largely attributable to the originally scheduled expiration of the first-time homebuyer tax credit. Sales fell 7.6 percent to 342K units.

Sales Down Sharply

- Sales dropped another 7.6 percent in December after a 9.3 percent decline in November. The originally scheduled expiration of the first-time homebuyer tax credit likely pulled forward transactions that would have occurred in the last few months of the year. Cold weather may have also constrained sales. Housing data are notoriously volatile in the winter months even when tax policy is not influencing activity.

Prices Higher on Sales Mix

- Median and average prices actually rose in December, but this likely reflects a change in the composition of sales. With less first-time homebuyer transactions in the mix, the median price of homes sold rose 5.2 percent.
- Inventory remains tight in the new home market and this is likely to continue as building activity remains barely above replacement levels.



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

Wells Fargo Securities, LLC Economics Group

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