



Economics Group

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New Home Sales Jumped in December, but Recovery Still Slow

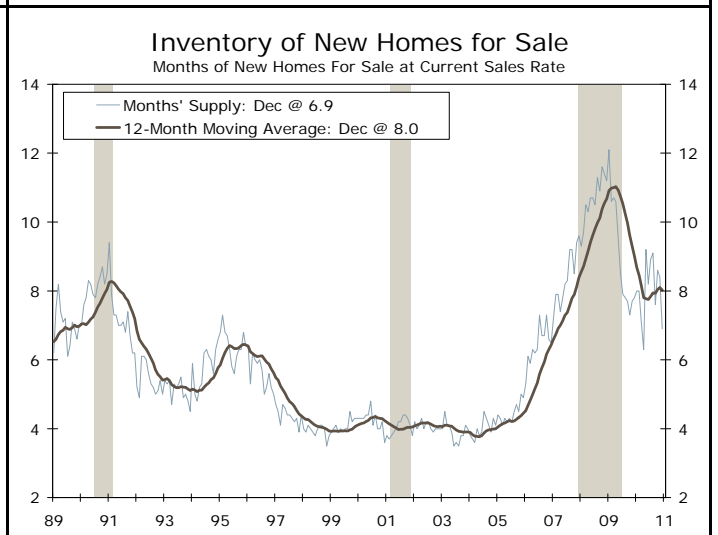
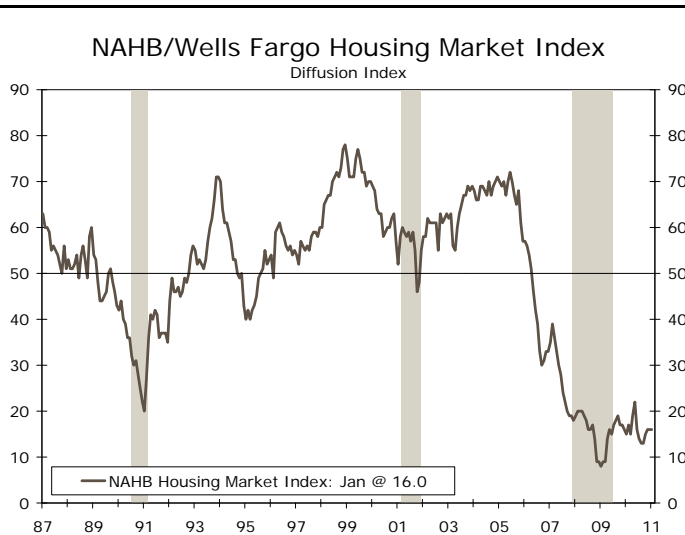
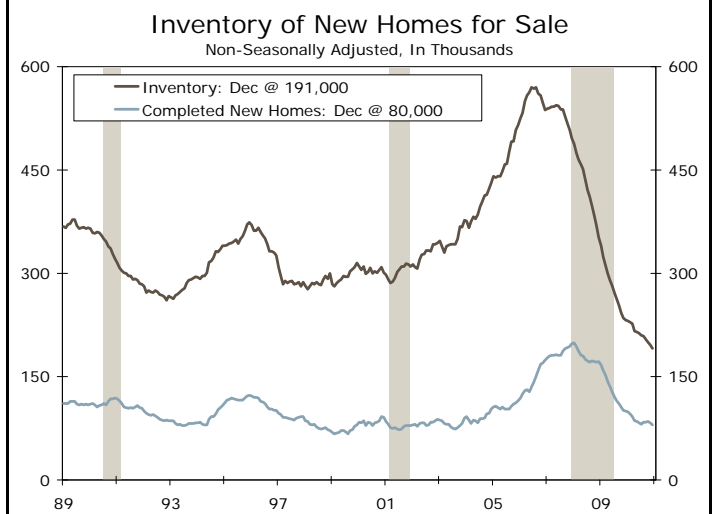
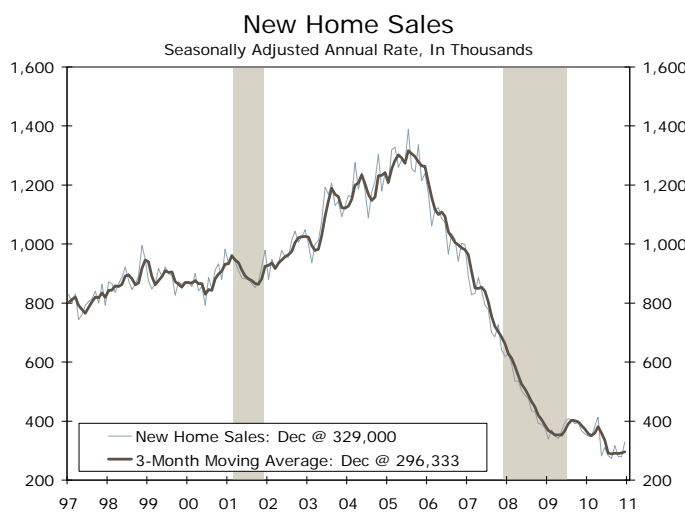
New home sales rose 17.5 percent in December to a 329,000-unit annual pace, the largest month-over-month gain since 1992. The inventory of unsold homes, however, continued to slide and remains at a 42-year low.

Sales Rising, but From Record-Low Levels

- New home sales rose 17.5 percent in December and continue to rise from historically low levels. Prior months' data were revised upward with a net revision of 4,000.
- While the gain in new home sales is promising, builder sentiment has been essentially unchanged over the last four months suggesting we will see little to no change in the coming months. The housing recovery will be very slow.

Inventories Remain Low

- The overall inventory of new homes fell to 190,000 units, the lowest level since 1968. The pipeline of new housing also remains depressed with only 80,000 new homes currently under construction. Builders remain reluctant to increase inventories as they continue to face tough competition from foreclosures, which limit price flexibility. With sales accelerating, the months' supply fell to 6.9 months, the lowest since April 2010.



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

Wells Fargo Securities, LLC Economics Group

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