



# Economics Group

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## New Home Sales Slip in May

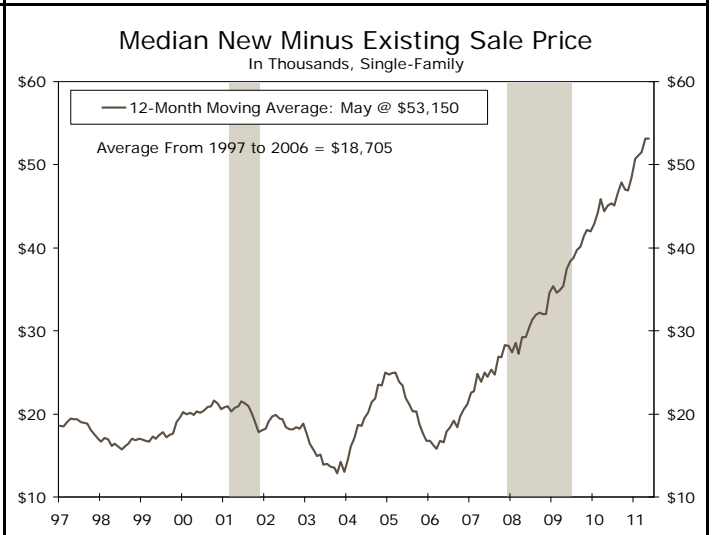
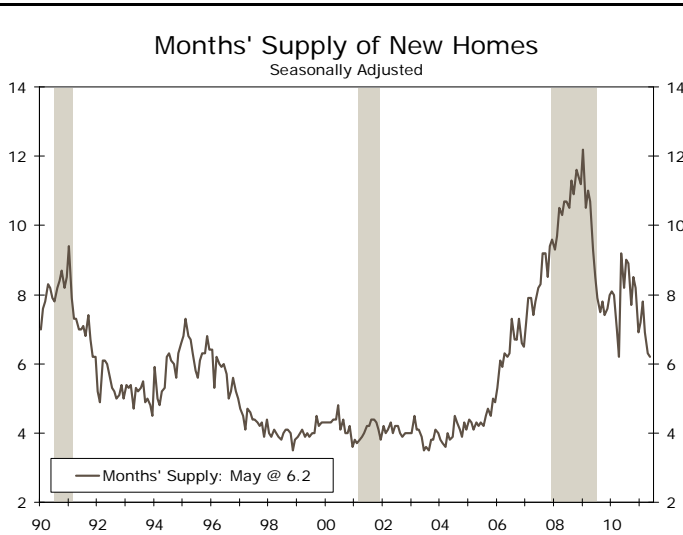
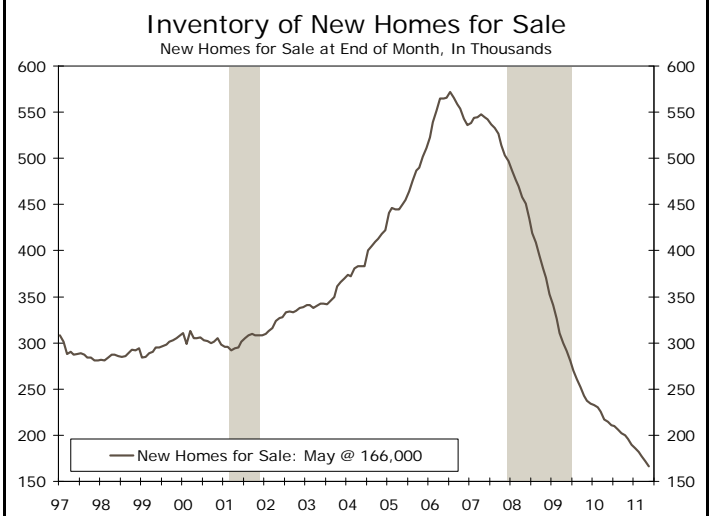
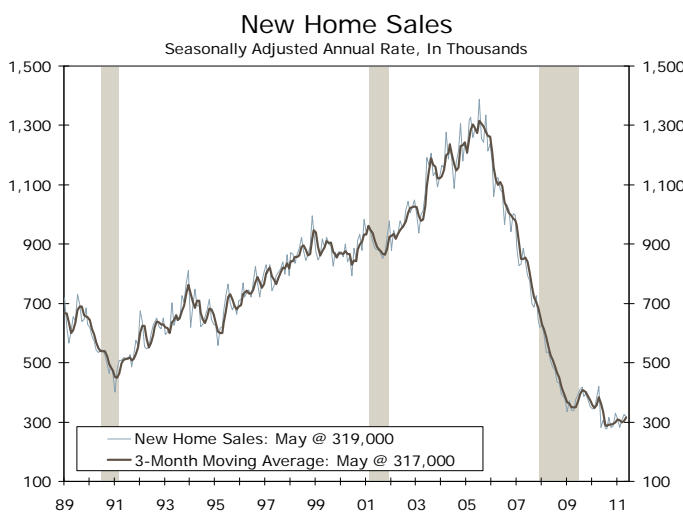
**Following back-to-back monthly gains, new home sales fell 2.1 percent in May to an annualized 319,000-unit pace. Inventories slipped to another record low, while prices rose on the month.**

### Sales Activity Remains Soft

- Results were mixed by region, with the Midwest flat, the South up and the Northeast and West down on the month.
- Nearly three-quarters of new homes sold were under \$300,000, with the largest concentration in the \$200,000 - \$299,000 range. With little incentive to ramp up construction activity, the overall inventory of new homes fell to a record low of 166,000 units.

### Prices Remain Under Pressure

- The price gap between existing homes and new homes remains wide, creating a major obstacle for homebuilders. With 2.2 million homes in the process of foreclosure, home prices should remain under pressure for some time.
- While we continue to expect modest gains in the coming year, any recovery in housing activity should be slow as new home sales remain at extremely depressed levels.



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

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