

Economics Group

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Surprise Decline in New Home Sales in October

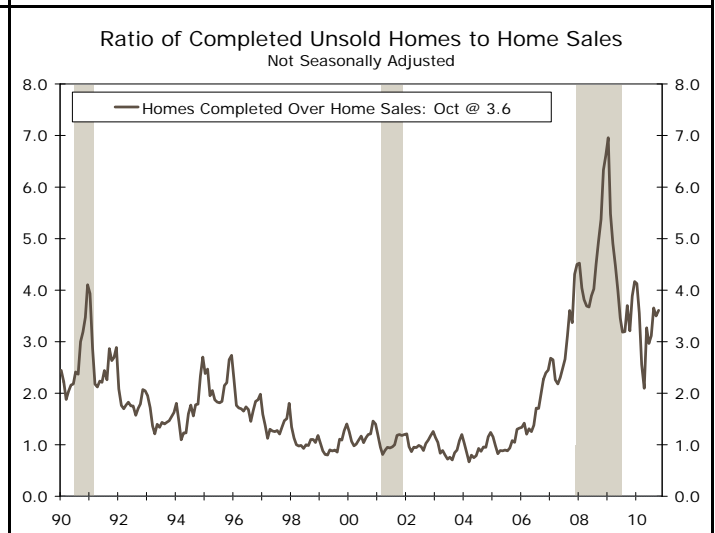
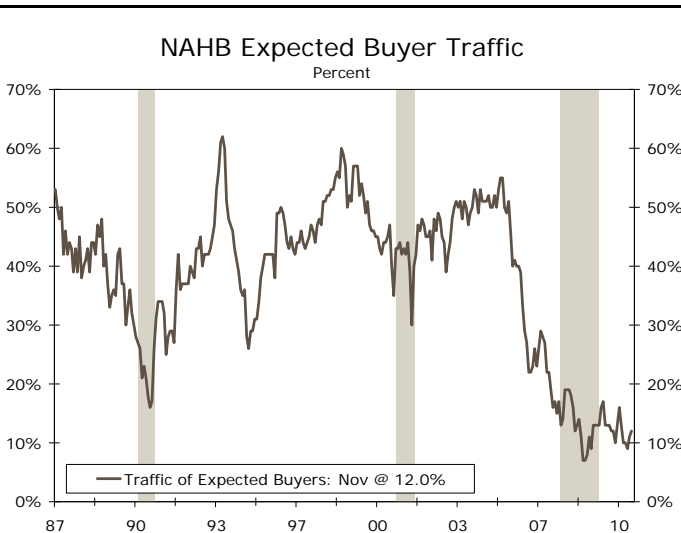
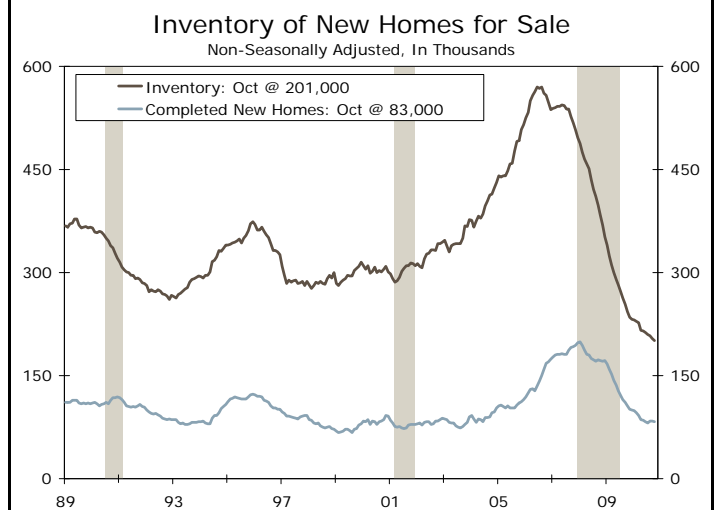
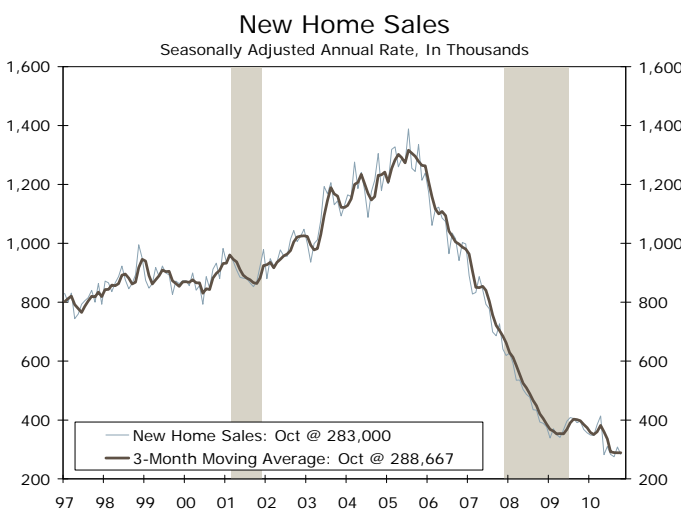
New home sales fell 8.1 percent in October to a 283,000-unit pace, which was much lower than consensus. Prior months' data were revised downward with August setting a historic low at a pace of 275,000 units.

New Home Sales Drop

- New home sales fell an unexpected 8.1 percent in October, but are attempting to find a “normalized” level following the tax credit. Seasonal adjustments could be exaggerating the decline, however. On a non-seasonally adjusted basis, sales fell much less. All is not doom and gloom. A recent survey of builder sentiment suggests buyer traffic is showing some tentative signs of reviving, but remains at historic low levels.

New Home Inventories Remain Low

- The overall inventory of new homes fell to 201,000 units, the lowest level since June 1968. The pipeline of new housing also remains at depressed levels with 89,000 new homes currently under construction and 28,000 homes not started yet. Builders remain reluctant to increase inventories as the oversupply of existing homes continues to compete with new home sales. The housing recovery will be agonizingly slow.



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

Wells Fargo Securities, LLC Economics Group

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