



Economics Group

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New Home Sales End the Year on a Down Note

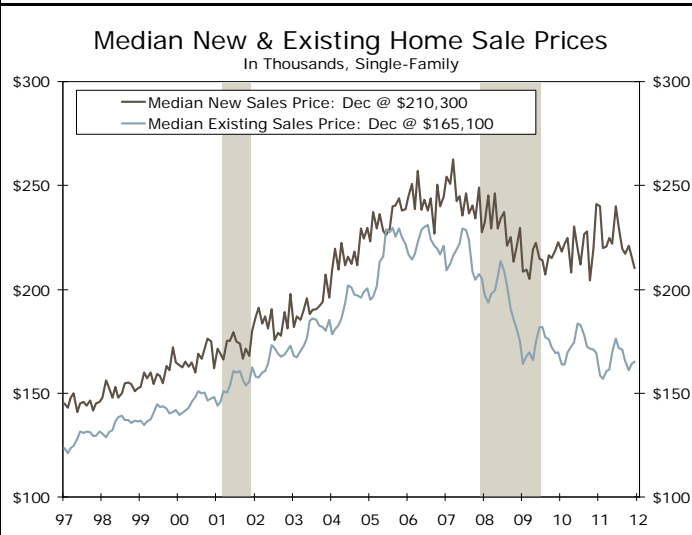
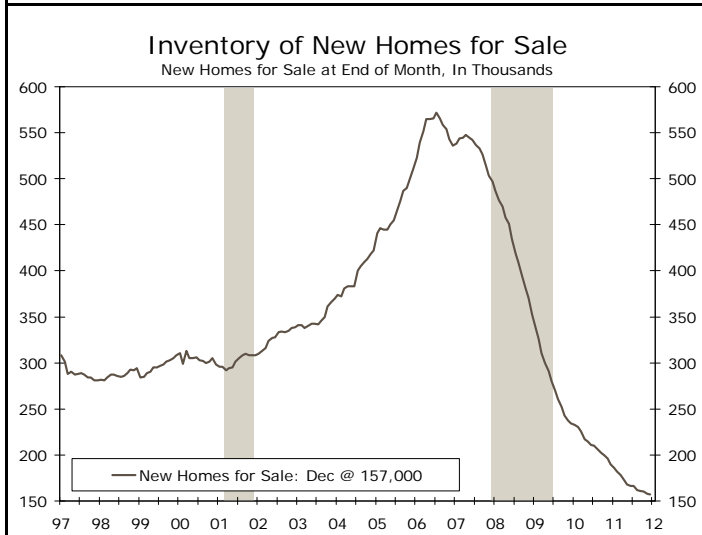
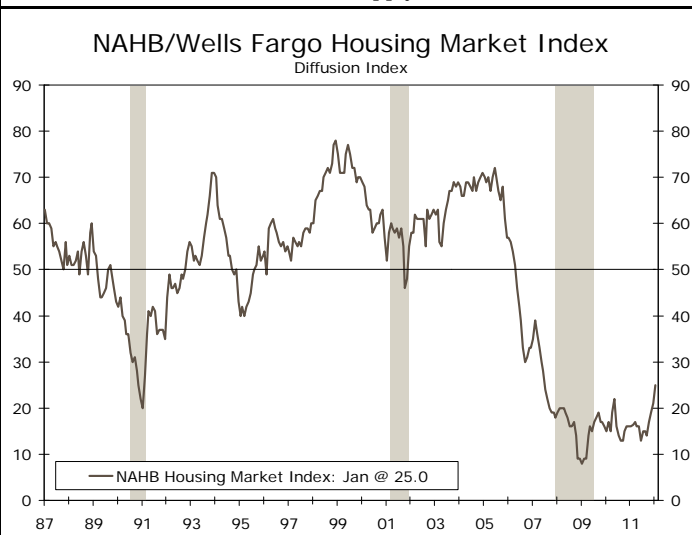
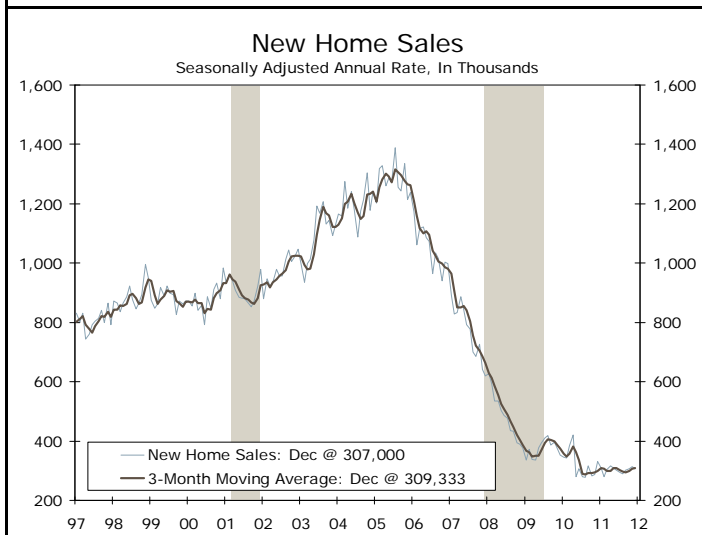
Following three straight monthly gains, new home sales fell 2.2 percent in December to a 307,000-unit pace. On a regional basis, much of the drop was concentrated in the South, where activity dropped 10.1 percent.

Annual Sales Register Lowest Level on Record

- New home sales unexpectedly fell 2.2 percent in December, and net revisions from the prior three months shaved 8,000 units. With new home sales still bouncing along the bottom, activity registered its lowest level on record in 2011, rising at only a 303,000-unit rate. We expect that pace to pick up in 2012; however, a meaningful increase will likely not occur until the slide in existing home prices dissipates.

Builders Still Have Little Incentive to Ramp Up

- While builder confidence rose for the fourth-consecutive month, the level is still well below its long-run rate. Builders continue to contend with deeply discounted existing homes, which now have a median price of \$165,100. On a year-ago basis, the median price of a new home fell 12.8 percent to \$210,300.
- The overall inventory of new homes fell to 157,000 units, the lowest on record. The months' supply is now 6.1 months.



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

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