



Economics Group

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New Home Sales Fall Modestly in July

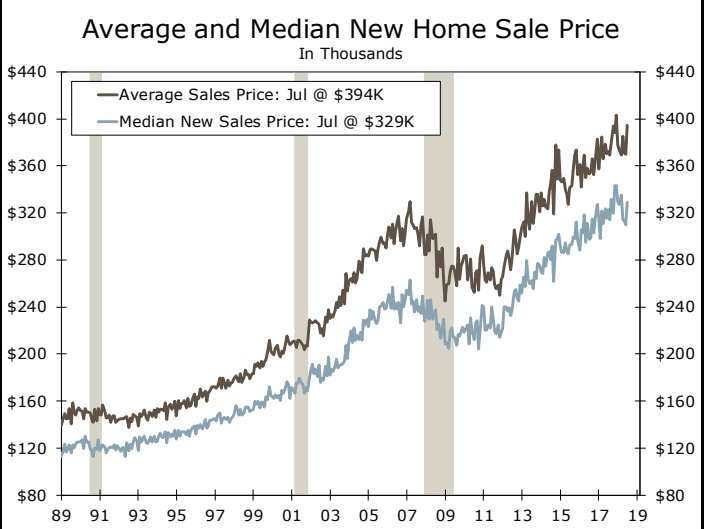
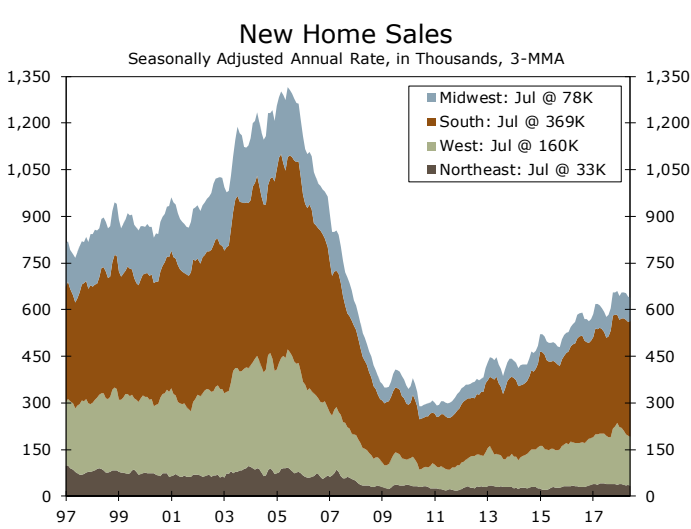
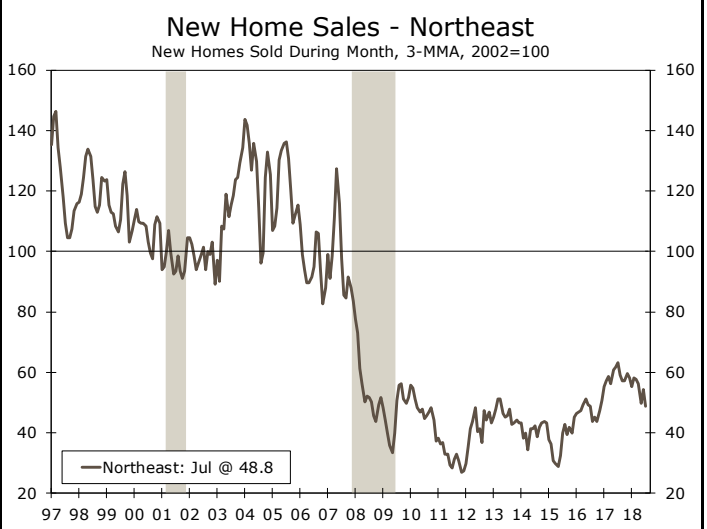
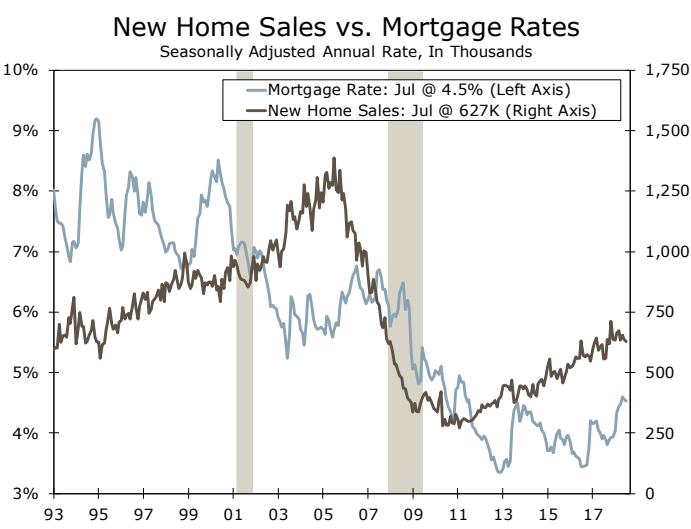
The parade of disappointing housing data continues. New home sales fell 1.7 percent in July, as an unusually wet summer appears to have depressed new home sales in the Northeast and parts of the South.

Housing Just Can't Catch a Break

- Sales of new homes fell 1.7 percent in July, following a 2.4 percent drop in June. Sales have fallen in three of the past four months. The culprit this month appears to be the weather. Sales in the Northeast tumbled 52.3 percent in July, as the region was pummeled by thunderstorms through much of the month.
- Sales also fell 3.3 percent in the South but rose 10.9 percent in the West and increased 9.9 percent in the Midwest.

Housing is Clearly on the Slow Track

- While the weather is likely responsible for July's drop, new home sales clearly remain on the slow track. Sales in the Northeast are also likely being impacted by new limits on tax deductions for interest and local taxes. Foreign demand has also cooled.
- We doubt demand has weakened all that much, however, as both the average and median home price rose in July and remains within its recent range on a year-to-year basis.



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

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