



Economics Group

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New Home Sales Fall in December

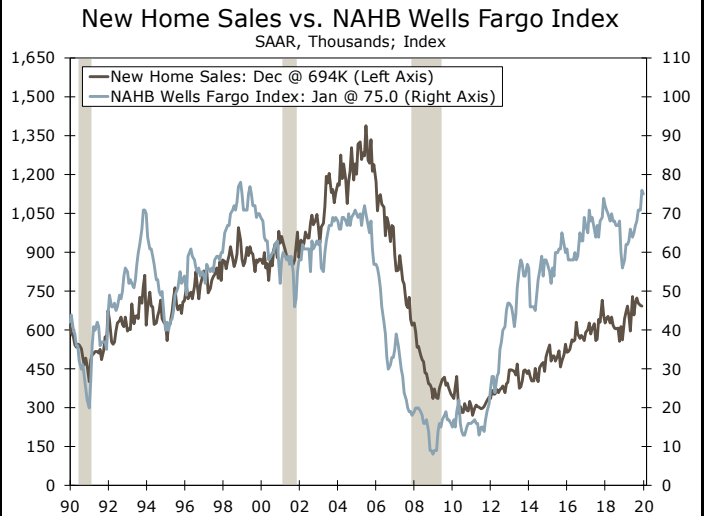
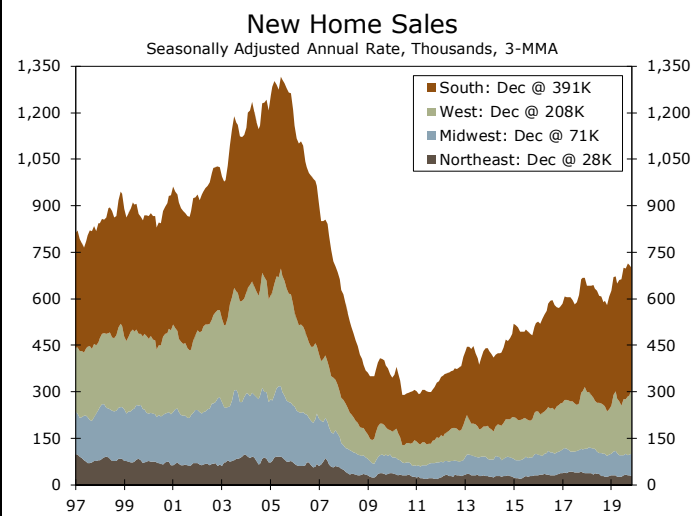
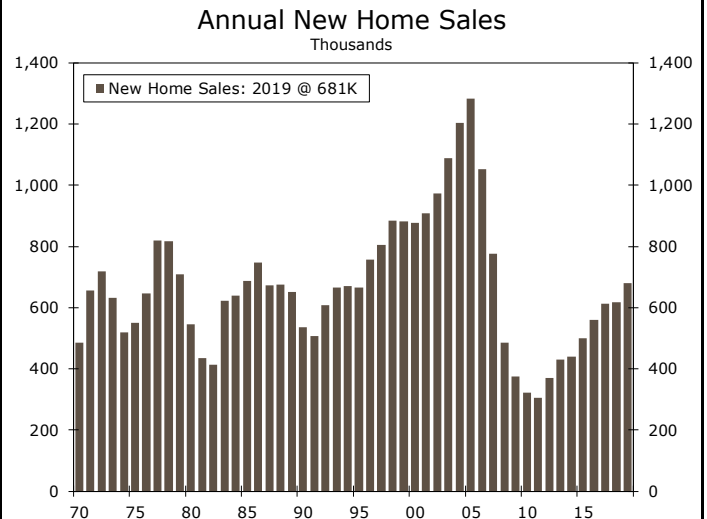
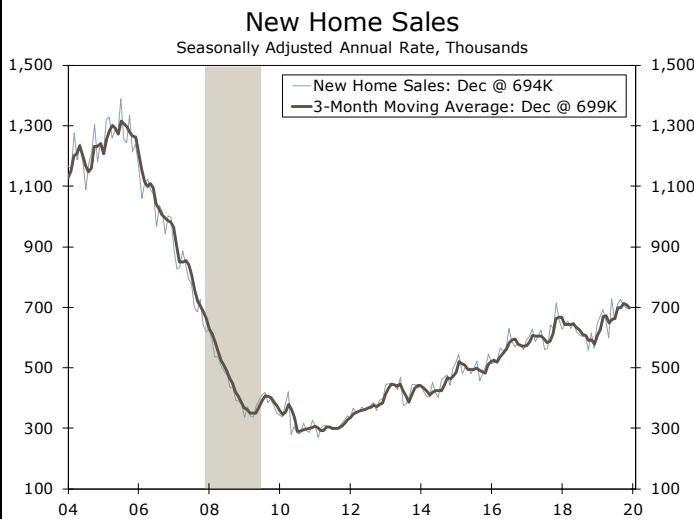
New home sales fell 0.4% to a 694,000-unit pace and sales for the prior month were revised lower. The drop left sales well below expectations, which had risen following earlier upbeat reports on resales and regional sales.

New Home Sales Dance to Their Own Beat

- New home sales fell 0.4% in December to a 694,000-unit annual rate and sales for the prior month were revised from a 719,000-unit pace to a 697,000-unit pace. The slower sales pace is surprising only because so much of the recent housing data have been so strong.
- Sales fell 15.4% in the South and 11.8% in the Northeast, but jumped in the West (+31.0%) and in the Midwest (+10.1%).

2019 Finishes with Sales up 10%

- December brought total 2019 sales to 681,000, exactly in-line with our forecast and a 10.3% increase compared to the 617,000 new homes sold in 2018. Revisions to the preliminary data will likely shift this total, but 2019 was certainly a strong year.
- With mortgage rates low and builder optimism rising, we expect sales to be solid again in 2020. Inventories are low, however, which will exert upward pressure on prices.



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

Wells Fargo Securities Economics Group

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