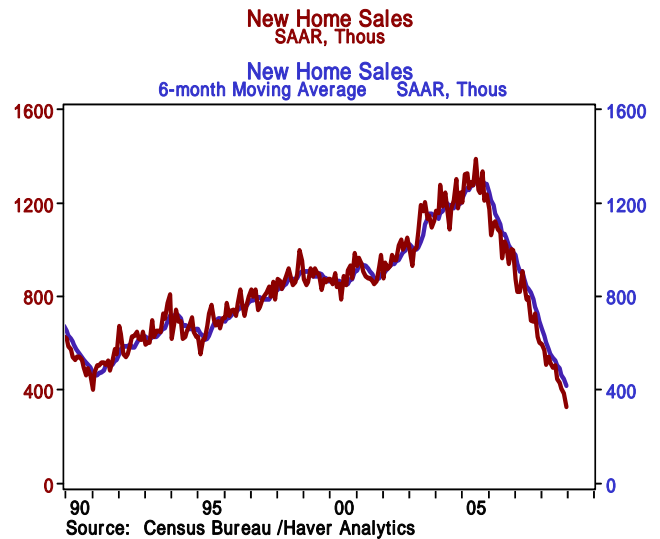


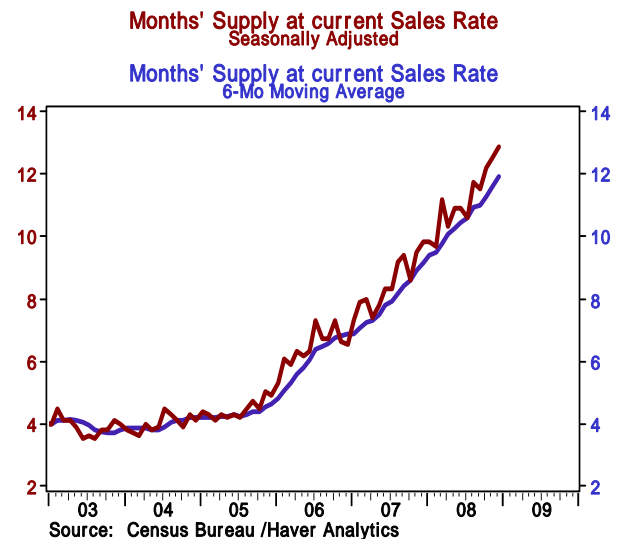
DECEMBER NEW HOME SALES

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- New single-family homes were sold at an annual rate of 331,000 in December, much slower than the consensus expected 397,000 pace. Sales are down 44.8% versus a year ago and down 76.2% versus the peak in 2005.
- Sales were down in all major regions of the country.
- At the current sales pace, the supply of unsold new homes increased to 12.9 months in December. However, the rise in the month's supply was all due to the slower pace of sales. The inventory of unsold new homes fell to 359,000, down 37.0% from the peak in mid-2006.
- The median price of new homes sold was \$206,500 in December, down 9.3% versus a year ago. The average price of new homes sold was \$246,900, down 13.2% versus last year.



Implications: New single-family home sales were abysmal in December, hitting the lowest level on record dating back to the early 1960s. However, given that credit conditions have been slightly improving for potential buyers, December sales were likely affected by unusually bad weather and a lack of clarity on the direction of housing policy. This past December was the coldest since 2000 and snow/ice storms were worse than normal. Home buying was also likely held down by rumors of potential aggressive incentives by the federal government, including subsidized 4% interest rates and homebuyer tax credits. Until the Obama Administration clarifies the direction of policy, it is only rational for many potential buyers to defer their plans, particularly when home prices continue to decline. Although some analysts may highlight the 12.9 months' supply of new homes now on the market, the highest ever going back to the 1960s, this was purely a function of slower sales. Inventories keep dropping rapidly, falling 27.6% in 2008. The number of new homes for sale that are still under construction is down to very low levels. The remaining inventory is now heavily tilted toward homes that have been completed or parcels of land where building has not even started.



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New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Dec-08		Nov-08	Oct-08	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
New Single Family Homes Sales	-14.7%	331	388	406	375	419	-44.8
Northeast	-28.2%	28	39	35	34	33	-50.0
Midwest	-5.6%	51	54	64	56	62	-31.1
South	-12.1%	181	206	222	203	230	-46.0
West	-20.2%	71	89	85	82	94	-47.4
Median Sales Price (\$, NSA)	-6.0%	206,500	219,700	213,500	213,233	220,533	-9.3
		Dec-08	Nov-08	Oct-08	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		12.9	12.5	12.2	12.5	11.9	11.2

Source: Bureau of the Census

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