

U.S. Housing Flash

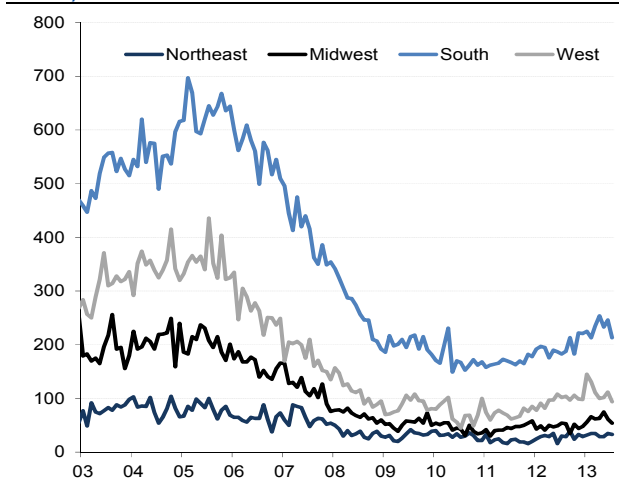
New Home Sales Plunge In July as Supply Jumps

- Sales of new homes in July fell 13.4% MoM with declines in every region
- The supply of new homes surged to 5.2 months, the highest rate since Jan 2012
- Median sales price fell 0.5% in July but remain positive YoY, up 8.3%

July new home sales surprised completely to the downside, falling dramatically despite every other indication that sales should have risen. Down 13.4%, the largest monthly decline since May 2010, the report showed that new homes sales were the weakest in years across all four regions. The South, Midwest, and West all fell at a double digit pace with the Northeast still falling a disappointing 5.7%. This decline was severely unpredicted given the strength of the housing recovery thus far. Annual growth has been in the double digits since late 2010 so a drop to 6.8% YoY from 26.4% is dramatic. This is further unsubstantiated given the decline in median prices we have seen for the past two months, which we expect would help increase the affordability of new homes despite the tick upwards in mortgage rates in July. The driving force behind rising prices of both new and existing homes had been the limited supply that had plagued the market after the number of foreclosed homes began to dry up. However, the supply of new homes jumped up to 5.2 months from 4.3 which should have been accompanied by stronger sales given the increased availability. Despite these positive indicators, the story seems to be a significant shift in July of new home demand. While weather played little to no factor in sales, and seldom ever does, factors such as time of year may have heavily influenced the monthly demand. The fact that families avoid moving the closer they get to the school year may have impacted sales coupled with the notional fear of rising rates. Still, the indicators provided thus far shed little light on such a dramatic decline in new home sales which leads up to believe this is an outlying month and may even be revised in the next report.

Graph 1

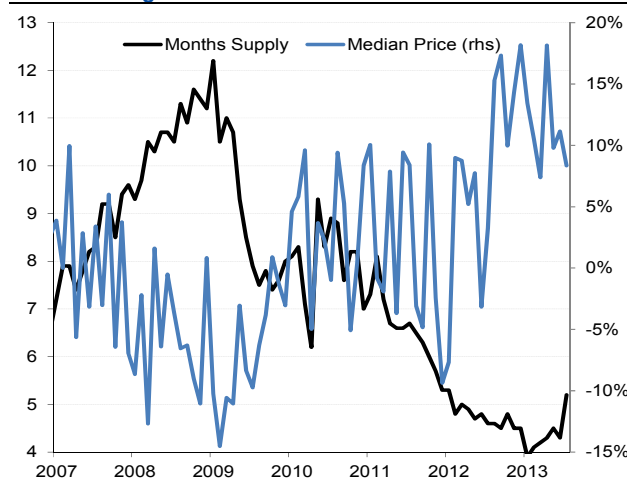
New Home Sales, by Region SAAR, Thousands



Source: U.S. Census Bureau & BBVA Research

Graph 2

Median Price and Months' Supply at Current Sales Rate YoY % Change and Ratio



Source: U.S. Census Bureau & BBVA Research

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