

Today's New Home Sales gives no indication whatsoever that stability is coming to the New Home Sales market.

1) A month ago it was reported that May New Home Sales were 28k for a seasonally adjusted annualized pace of 300k but that was an error.

2) Today, **May was revised lower to 26k absolute sales (267k annualized sales)** -- a whopper revision in percentage terms but with respect to absolute volume almost a rounding error. I kept saying to expect a seasonally adjusted 2-handle post tax-credit but because it came as a revision they stole my thunder.

3) Today it was also reported that **June seasonally adjusted annualized sales** jumped 23.6% to 330k...**but only 30k houses sold**. Because of the size of the May revision, we could easily see June annualized sales revised below 300k also.

4) If June's absolute volume is revised 2k lower next month (from 30k to 28k) it means June beat May's historical low (26k sales) by 2k houses, or a paltry **\$500 million in sales**.

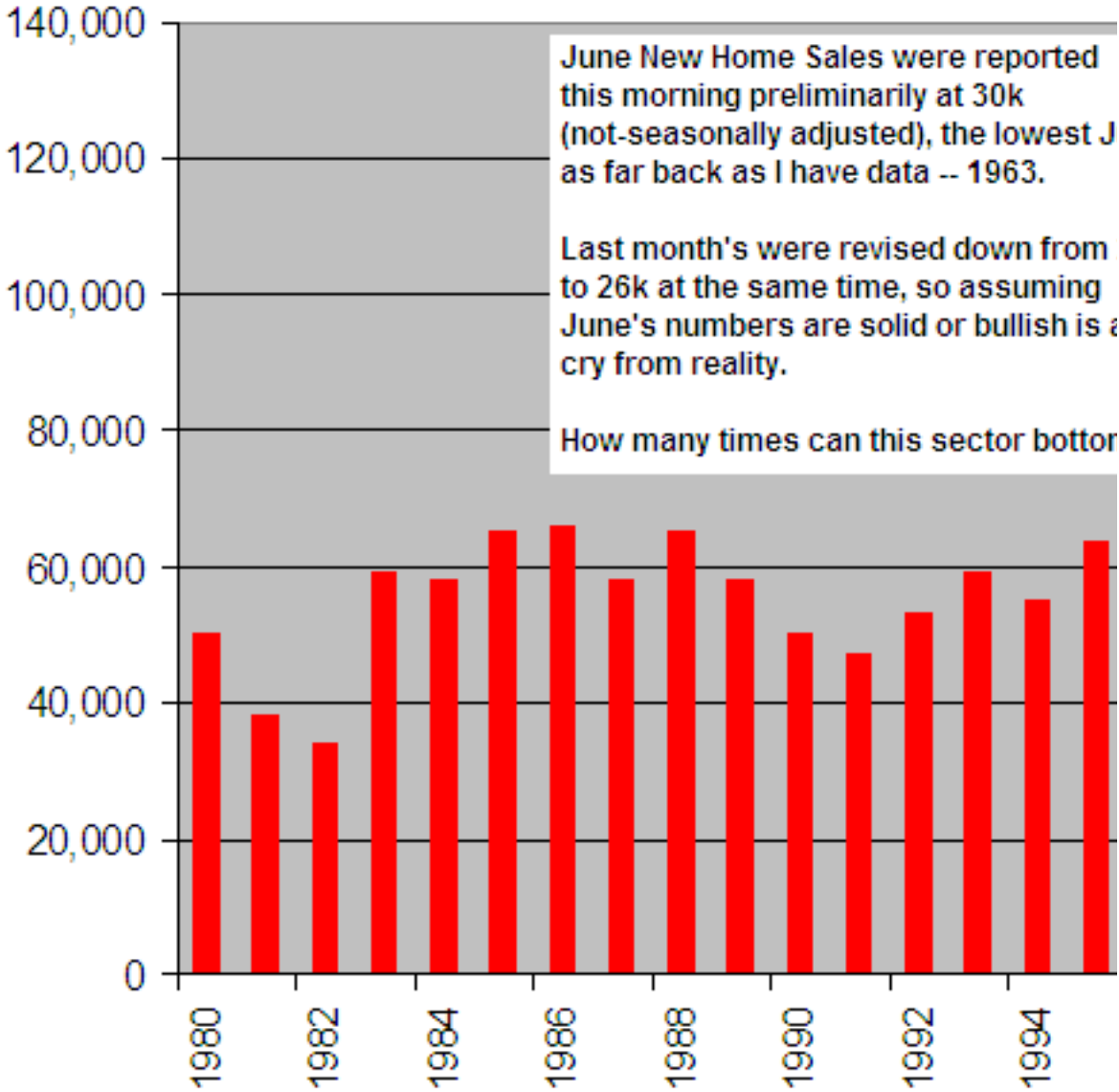
5) **For June 2010, 30k sales in the lowest June I have on record going back to 1963.**

6) Of course, 3k of the 4k gain from May to June (26k to 30k) was in the volatile South.

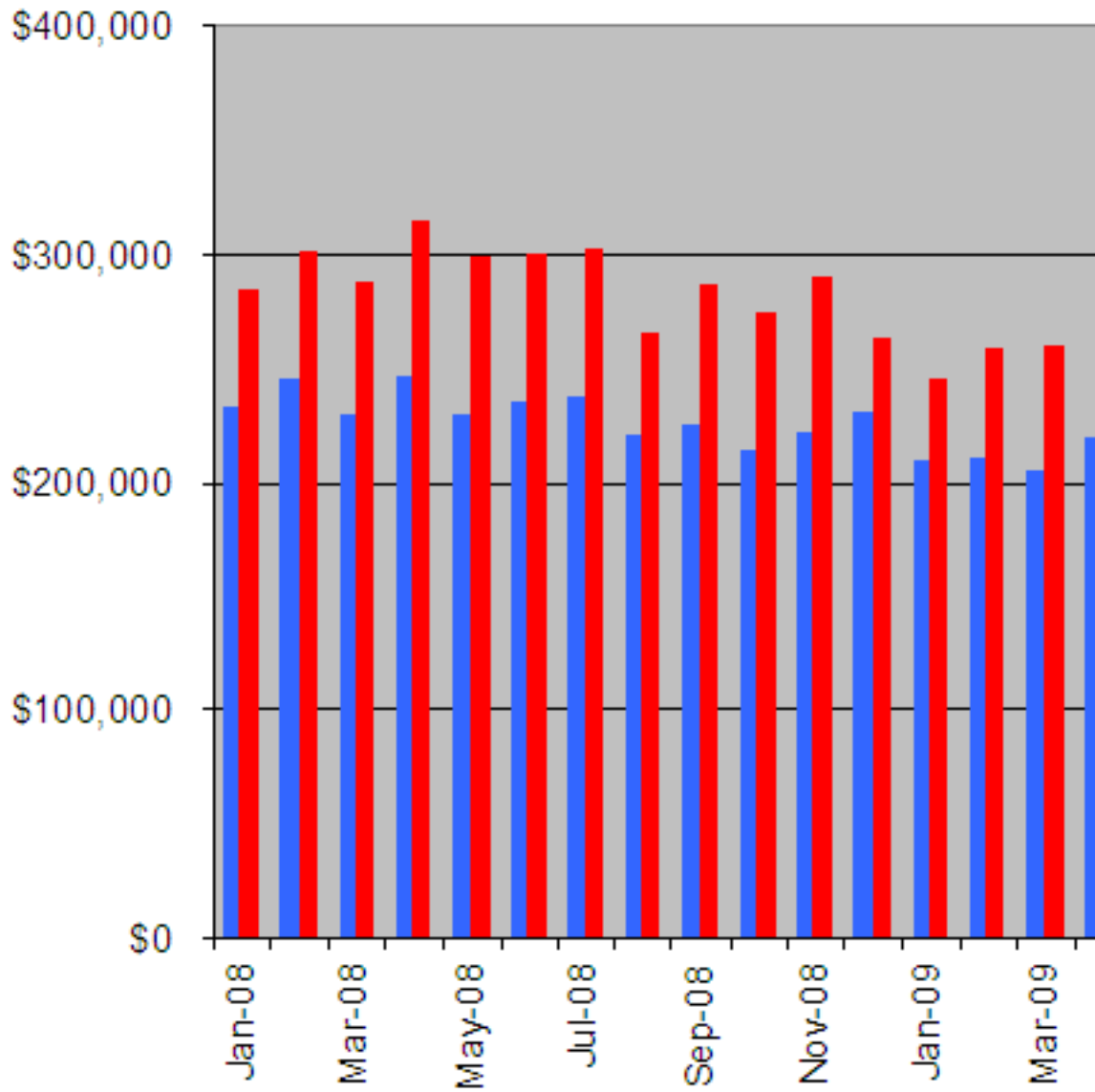
7) In June, the **average price plunged 10%**, as builders lost pricing power

8) In June, **New Home Sales as a percentage of Existing Home Sales was also the lowest ever for any June on record and the second lowest in history** -- last month was the lowest ever. With New Home Sales at 5% of Existing Sales, some many think there is a lot of growth ahead But with demand being in distressed real estate and incredible growth expected through foreclosures & short sales over the near, mid and long term the builders have an uphill battle ahead.

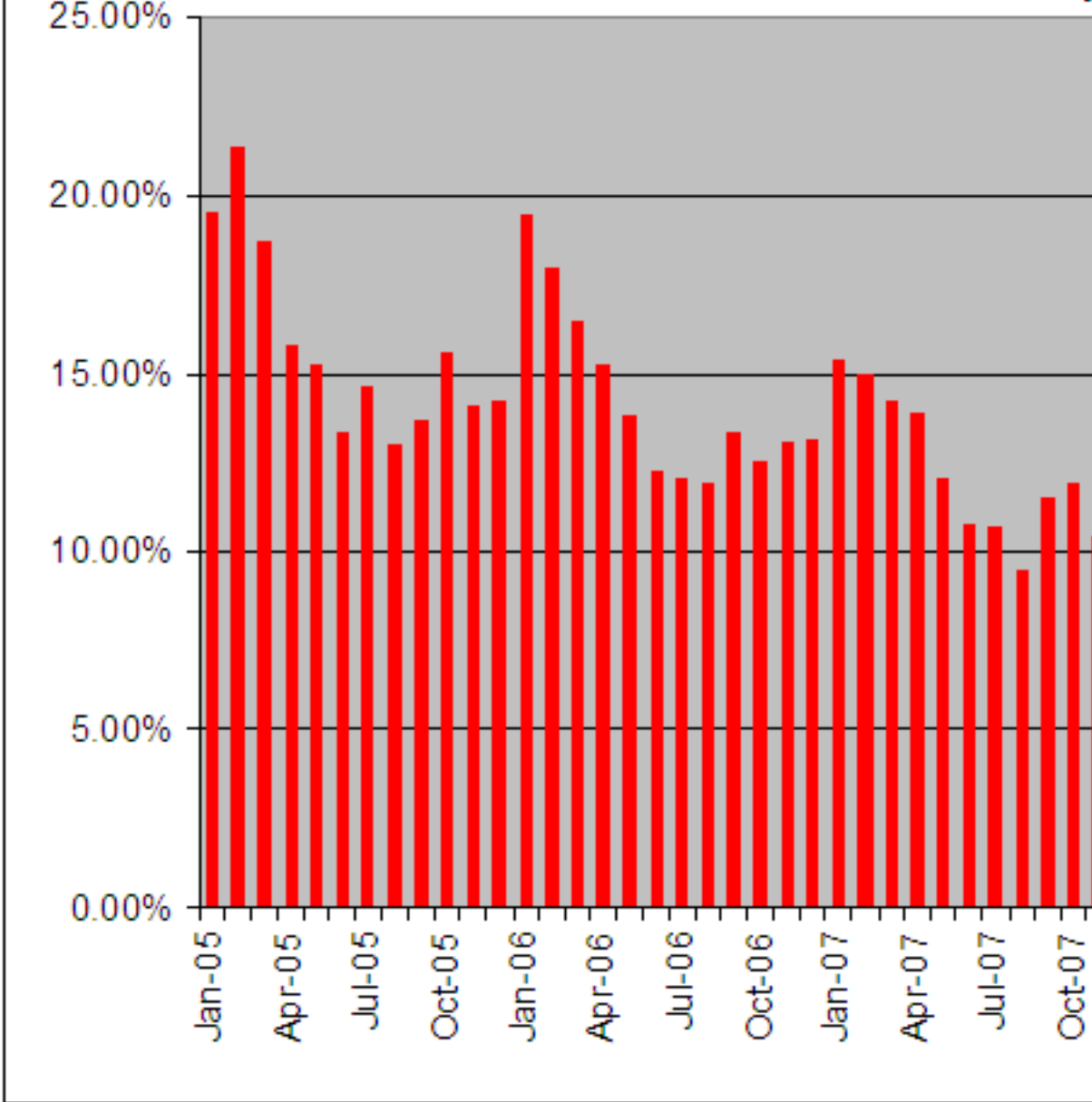
**JUNE 2010 - LOWEST NEW HOME SALES**  
**June New Home Sales -**  
**Unseasonally Adjusted Figures**



## Monthly Median vs. Average Builders Lose Pricing Power



**New Home Sales as % of Existing  
Builders Have Become Inconseq**



Best Regards,

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