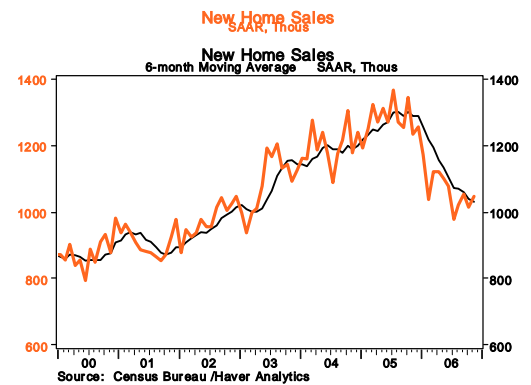


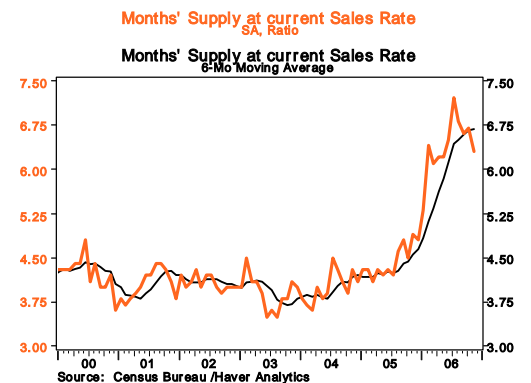
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NOVEMBER NEW HOME SALES

- New single-family home sales increased 3.4% in November to an annual rate of 1.047 million, better than the consensus expected 1.018 million rate. The growth in new home sales was mainly due to an increase in sales in the Midwest and West.
- The median price of a new home increased to \$251,700 up 5.8% versus November 2005.
- At the current sales pace, the supply of unsold new homes declined to 6.3 months in November, the lowest level since May and down considerably from 7.2 months in July. It appears inventories are being worked off.



Implications: Today's report on new homes sales was relatively positive. Sales were up more than expected, home prices rose, and inventories fell. Our view is that rather than a "bubble" bursting the housing market has been undergoing a correction in which the sector makes the transition from the artificial support of absurdly low interest rates to a level of activity reflecting underlying trends and fundamentals, such as income growth, tax policy, and demographics. We believe that the downward pressure on real GDP growth due the housing market peaked in Q3 and Q4 (Q4 GDP figures to be released in early 2007). Going into the early part of 2007, housing will remain a drag on real GDP growth, but a smaller one. The pain has peaked but as this morning's figures on mortgage applications show, it is not yet over. Mortgage applications dropped 14.2% last week, although applications for purchase are down only 0.1% versus a year ago.



New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Nov-06		Oct-06	Sep-06	3-mo	6-mo	Yr over yr
	% Ch	Level			moving avg	moving avg	% ch.
New Single Family Homes Sales	3.4%	1,047	1,013	1,053	1,038	1,032	-15.3
Northeast	22.5%	49	40	62	50	60	-42.4
Midwest	22.4%	175	143	142	153	154	1.2
South	-9.3%	529	583	584	565	558	-19.2
West	19.0%	294	247	265	269	260	-9.0
Median Sales Price (\$, NSA)	3.2%	251,700	243,800	225,500	240,333	241,033	5.8
		Nov-06	Oct-06	Sep-06	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		6.3	6.7	6.6	6.5	6.7	6.3

Source: Bureau of the Census