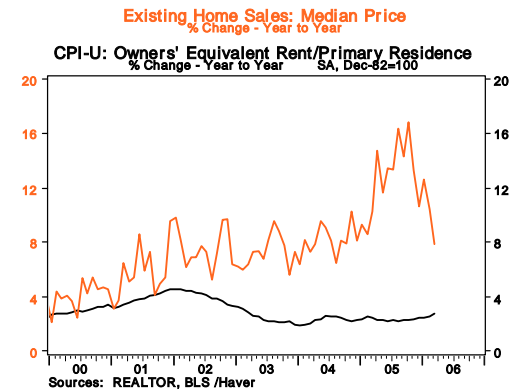
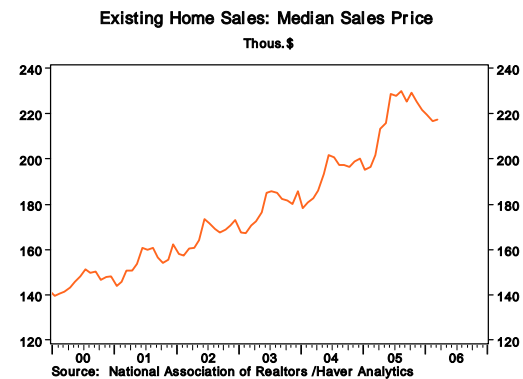
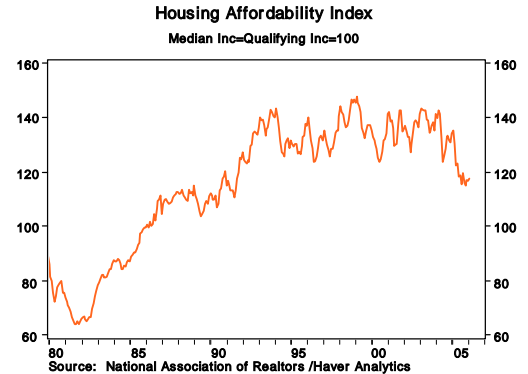
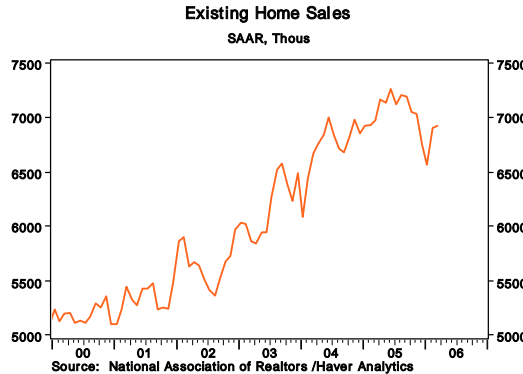


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MARCH EXISTING HOME SALES

- Existing home sales rose 0.3% in March to 6.92 million units at an annual rate. This was higher than consensus forecasts of 6.65 million. Nonetheless, existing home sales are down 0.7% in the past 12 months.
- The median sales price of an existing home was \$218,000 in March, unchanged from February's level and 7.4% higher than a year ago. As the chart nearby shows, this YOY change is in sharp contrast to the CPI, which shows housing costs (23.2% of overall CPI) rising just 2.8% in the past year. We believe the CPI significantly understates actual inflation because it underestimates housing costs.



Implications: Existing home sales increased for the second consecutive month in March even as the underlying data signals a slowdown in housing activity during 2006. At the current sales pace, the supply of existing homes jumped to 5.5 months in March – the highest level since 1998 and mortgage applications are down 15.3% in the past year. While higher interest rates are clearly dampening demand for housing, the long-term factors of demographics, a robust economy and favorable tax policy should prevent a dramatic decline in housing activity. We expect existing home sales to remain between the 6.5-7.0 million level this year. As housing activity retreats to historically normal levels, resources will be shifted into other sectors of the economy. We continue to believe real GDP will grow at 4.0% in 2006 even as housing activity moderates.

Existing Home Sales <i>all data seasonally adjusted unless noted, thous.</i>	Mar-06		Feb-06	Jan-06	3-month moving avg.	6-month moving avg.	Yr over yr % ch.
	% Ch.	level					
Existing Single Family Home Sales	0.3%	6920	6900	6570	6910	6870	-0.7
Northeast	1.7%	1190	1170	990	1180	1113	2.6
Midwest	1.2%	1630	1610	1440	1620	1563	3.8
South	-0.7%	2670	2690	2760	2680	2713	1.5
West	-0.7%	1430	1440	1370	1435	1483	-12.3
Median Sales Price (NSA)	0.0%	218.0	218.0	220.0	218.0	222.0	7.4

Source: Nat'l Association of Realtors