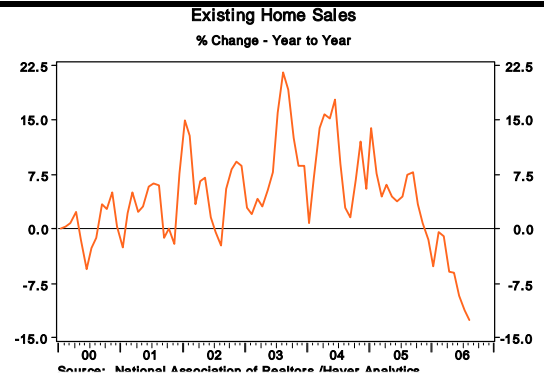
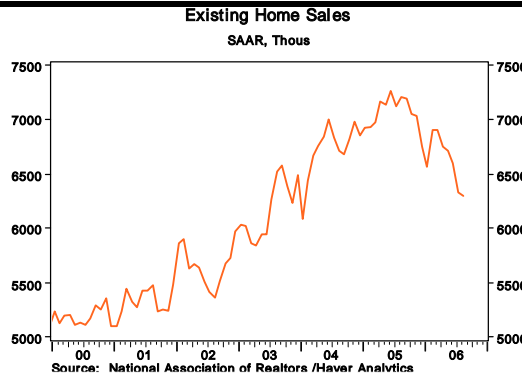


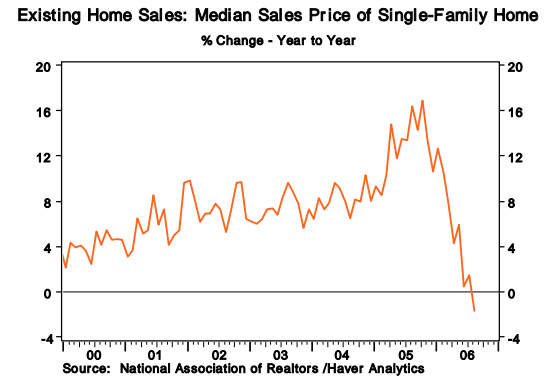
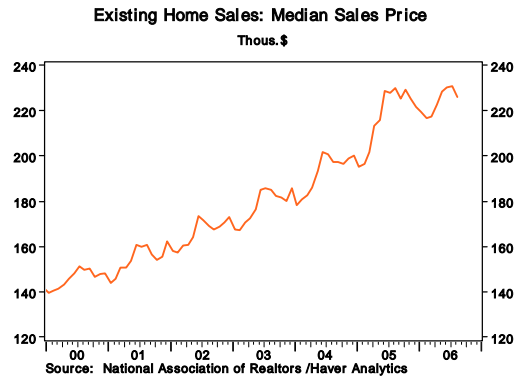
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## AUG EXISTING HOME SALES

- Existing home sales fell a less-than-expected 0.5% in August to 6.30 million units at an annual rate. This is the lowest level since January 2004. Existing home sales are down 12.6% in the past 12 months.



- The median sales price of an existing home was \$225,000 in August, 1.7% lower than a year ago. This is the first YOY decline since 1995.



**Implications:** Existing home sales have fallen for five consecutive months and are now at the lowest level

in over two years. Prices also fell, with the YOY gain in the median price of single home declining for the first time since 1995. Yet there are reasons to believe the housing market will stabilize. Mortgage rates have fallen by roughly 70 bps since their peak in late June; personal income has increased by \$727 billion in the past year (7.1%); and demographic trends continue to increase the demand for housing. Moreover, we do not believe the housing pullback will be a major drag on the economy. Contrary to conventional wisdom, housing has not been the predominant reason for growth over the past two years. Residential construction added 0.5% to both the 3.9% real GDP growth in 2004 and the 3.2% real GDP growth in 2005. We expect housing will subtract roughly 0.5% from growth throughout the rest of the year (residential construction reduced real GDP growth by 0.6% in Q2). This slight drag will be offset by a boom in non-residential construction (real structure spending is up 8.4% in the past year) and equipment and software spending (real investment in equipment and software is up 6.8% in the past year). As a result, we expect the overall economy to grow in the 3.0%-3.5% range.

Existing Home Sales <i>all data seasonally adjusted unless noted, thous.</i>	Aug-06		Jul-06	Jun-06	3-month moving avg.	6-month moving avg.	Yr over yr % ch.
	% Ch.	level					
<b>Existing Single Family Home Sales</b>	<b>-0.5%</b>	<b>6300</b>	6330	6600	6410	6598	-12.6
<b>Northeast</b>	<b>1.9%</b>	<b>1070</b>	1050	1110	1077	1125	-11.6
<b>Midwest</b>	<b>0.7%</b>	<b>1440</b>	1430	1520	1463	1518	-11.1
<b>South</b>	<b>-0.8%</b>	<b>2510</b>	2530	2560	2533	2583	-7.4
<b>West</b>	<b>-2.3%</b>	<b>1290</b>	1320	1410	1340	1377	-22.8
<b>Median Sales Price (NSA)</b>	<b>-2.2%</b>	<b>225.0</b>	230.0	229.0	228.0	225.5	-1.7

Source: Nat'l Association of Realtors