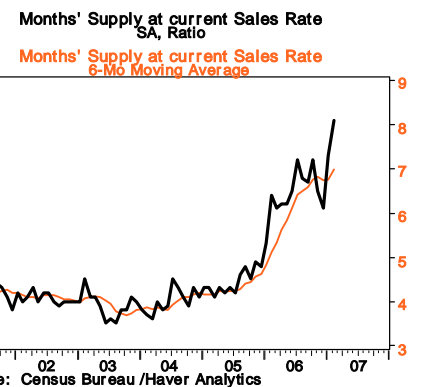
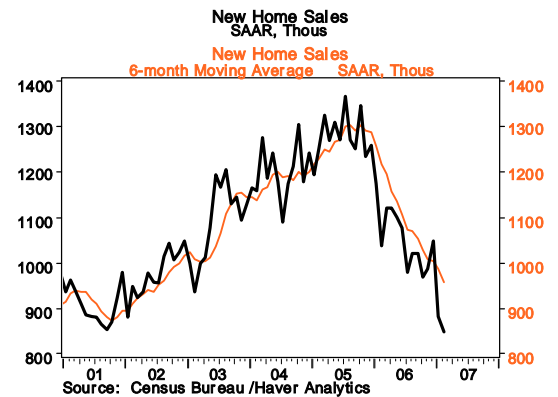


FEBRUARY NEW HOME SALES

Chief Economist - Brian S. Wesbury
Senior Economist - Robert Stein, CFA
Economic Research Analyst - Trevor D. Scott

- New single-family home sales declined 3.9% in February to an annual rate of 848,000, the lowest level in almost seven years. This was much weaker than the 990,000 rate expected by the consensus. Meanwhile, sales were revised down for November, December, and January.
- At the current sales pace, the supply of unsold new homes increased to 8.1 months in February, a large increase from 7.3 in January and the highest level since 1991. As recently as mid-2005 the months' supply was 4.3.
- The median price of a new home was \$250,000 in February, down 0.3% versus a year ago. The average price of a new home was \$331,000, up 7.5% versus a year ago.



Implications: In terms of new home sales, this is what the bottom looks like. In general, we expect new home sales to strengthen from here. However, given the inventory overhang, residential construction will continue to subtract from real GDP growth for the remainder of 2007 and, likely, much of 2008. Given the market focus on the obvious negative information in today's report it is worthwhile to note some positive news. First, using 12-month moving averages, median prices for existing homes appear to have leveled off since mid-2006 (not dropped significantly) while average prices have continued to trend upward. Second, if you add new home sales to existing home sales *for the following month*, commitments to purchase homes rose three months in a row through January. (Strong existing home sales data was reported Friday). The reason to combine the data this way is that new homes are counted as sold when a contract is signed while existing home sales are counted at closing, about a month after a contract.

New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Feb-07		Jan-07	Dec-06	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
New Single Family Homes Sales	-3.9%	848	882	1,047	926	959	-18.3
Northeast	-26.8%	41	56	73	57	56	-36.9
Midwest	-20.0%	124	155	178	152	148	-32.2
South	-7.0%	450	484	544	493	520	-17.1
West	24.6%	233	187	252	224	236	-5.7
Median Sales Price (\$, NSA)	2.8%	250,000	243,200	241,200	244,800	241,933	-0.3
		Feb-07	Jan-07	Dec-06	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		8.1	7.3	6.1	7.2	7.0	6.7

Source: Bureau of the Census