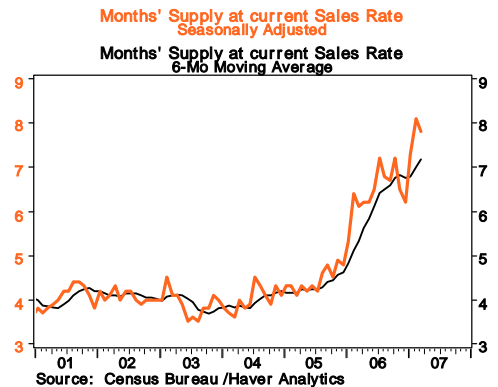
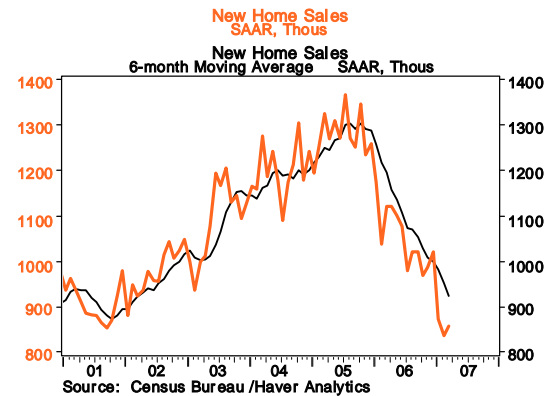


MARCH NEW HOME SALES

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- New single-family home sales increased 2.6% in March to an annual rate of 858,000 from a downwardly revised 836,000 rate in February. The consensus expectation was a bounce to 890,000.
- At the current sales pace, the supply of unsold new homes dropped to 7.8 months. The decline was all due to the increased pace of sales, not falling inventories. As recently as mid-2005 the months' supply was 4.3.
- The median price of a new home was \$254,000 in March, the second highest level ever and up 6.4% versus a year ago. The average price of a new home rose to \$330,900, the highest ever and up 10.7% versus last year.



Implications: Today's moderate new home sales report stands in stark contrast to yesterday's very weak existing home sales report. It is important to note that new home sales are counted when a contract is signed while existing home sales are counted once closed, so today's new home sales report may provide more timely data on activity in the housing sector. The price data today is also noteworthy. These figures are not seasonally-adjusted, so moving averages are useful to discern the price trend, which is surprisingly positive. The 12-month moving average of median new home prices is at a record high. Our view is that due to overly loose monetary policy residential real estate became overvalued, but was not in a "bubble." Housing will continue to be a drag on real GDP growth through 2007, but will not cause a recession.

New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Mar-07		Feb-07	Jan-07	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
New Single Family Homes Sales	2.6%	858	836	873	856	924	-23.5
Northeast	50.0%	72	48	61	60	59	18.0
Midwest	9.8%	134	122	158	138	148	-19.3
South	-2.7%	436	448	475	453	492	-25.7
West	-0.9%	216	218	179	204	225	-29.6
Median Sales Price (\$ NSA)	0.9%	254,000	251,800	249,400	251,733	248,400	6.4
		Mar-07	Feb-07	Jan-07	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		7.8	8.1	7.3	7.7	7.2	6.9

Source: Bureau of the Census