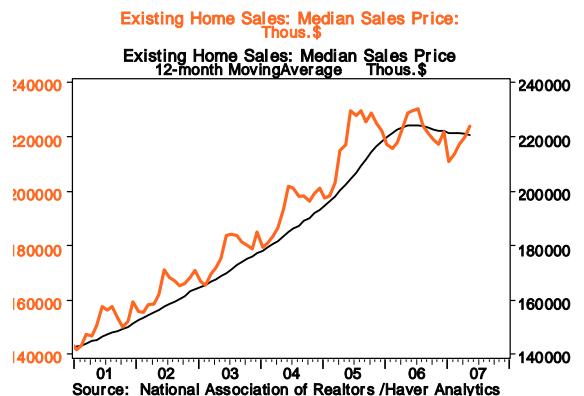
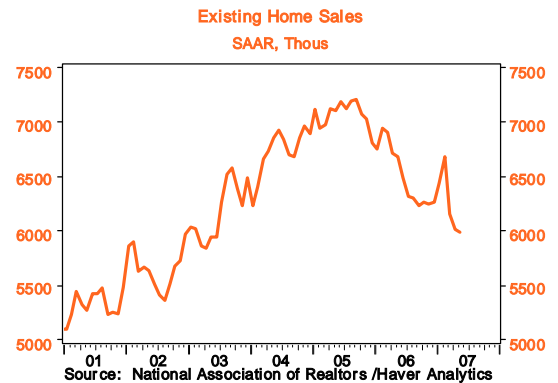


MAY EXISTING HOME SALES

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- Existing home sales declined 0.3% in May to an annual rate of 5.99 million, the lowest since June 2003. The consensus expected level of sales was 5.97 million.
- Sales dropped in the South and West but rose in the Northeast and Midwest. By type of home, sales slowed only for single-family structures. Sales of condos/coops increased.
- The median price of an existing home rose to \$223,700 in May (not seasonally adjusted), but is still down 2.1% versus a year ago.
- The months' supply of existing homes (how many months it will take to clear the inventory of unsold homes at the current sales rate) rose to 8.9, almost all due to more homes being on the market.



Implications: The pace of sales and price comparisons to a year ago continue to weaken, but not at a rapid rate. Sales in May were down 10.3% versus a year ago but were down 13.6% year-to-year in September 2006. The months' supply of homes is way up from mid-2005, meaning housing starts should continue to fall. However, the decline in starts will be slower than what we've already experienced. Today's report on existing home sales is consistent with our view that home building will continue to be a drag on real GDP growth but a noticeably smaller one than in late 2006 and the first quarter of 2007. Tomorrow's reports on new home sales and the Case-Shiller home price indexes will shed more light on the housing market. More importantly, our view remains that real GDP growth has rebounded to about 4% in the second quarter and will grow at a rate of about 3.5% in the second half of the year and into 2008, as business investment, inventory replenishment, and export growth all pick up.

Existing Home Sales <i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>	May-07		Apr-07	Mar-07	3-month moving avg.	6-month moving avg.	Yr to Yr % Change
	% Ch.	level					
Existing Home Sales	-0.3%	5990	6010	6150	6050	6257	-10.3
Northeast	5.8%	1100	1040	1140	1093	1105	-3.5
Midwest	0.7%	1410	1400	1390	1400	1457	-6.6
South	-3.4%	2300	2380	2410	2363	2448	-11.9
West	-0.8%	1180	1190	1210	1193	1245	-16.3
Median Sales Price (\$, NSA)	1.8%	223,700	219,800	217,400	220,300	217,833	-2.1

Source: National Association of Realtors