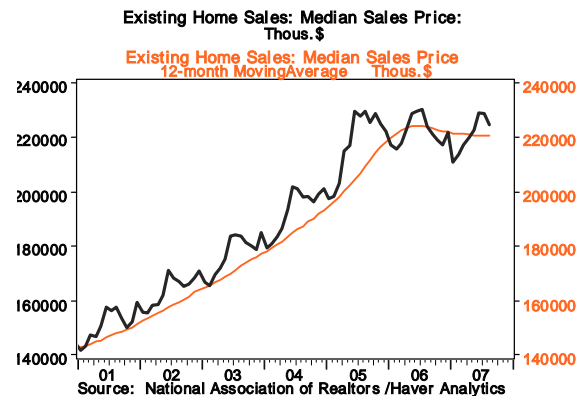
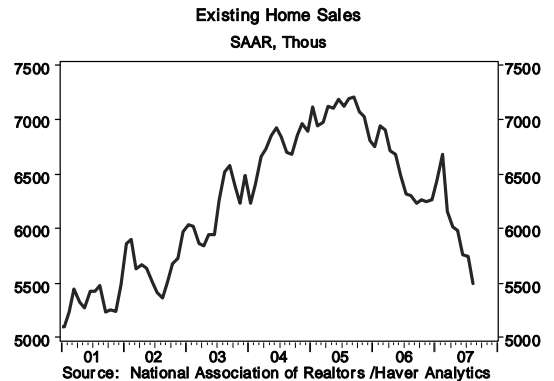


## AUGUST EXISTING HOME SALES

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- Existing home sales declined 4.3% in August to an annual rate of 5.50 million, the lowest in five years but slightly above the consensus expected level of 5.48 million.
- Sales of existing homes declined in every major region in August. By type of home, sales were slower for both single-family homes and condos/coops.
- The median price of an existing home fell to \$224,500 in August (not seasonally adjusted) and is up 0.2% versus a year ago, the best year-to-year comparison since mid-2006.
- The months' supply of existing homes (how many months it takes to clear the inventory of unsold homes at the current sales rate) increased to 10.0 months. The months' supply of single-family homes rose to 9.8 months, the highest since May 1989.



**Implications:** The housing market remains weak but manufacturing appears to be riding to the rescue. After a temporary surge in January and February, existing home sales have declined for six straight months, this time to the lowest level in five years. Meanwhile, it would take 9.8 months at the current sales rate to clear the inventory of single-family existing homes on the market today – the highest in 18 years. Although the median price of an existing home is up 0.2% versus a year ago, the Case-Shiller home price index, a broader measure of home price trends, is down 3.9% versus a year ago, and the Case-Shiller index only reflects price data through July. In other news, the Richmond Fed's Manufacturing Index increased to 14 in September – the highest level since April 2006. The consensus had expected a decline to 5. It is becoming increasingly evident that weakness in the housing market is having less and less of a negative impact on manufacturing. We expect this trend to continue. The share of manufacturing dedicated to producing goods for the housing sector is shrinking. At the same time, exports are booming.

Existing Home Sales		Aug-07		Jul-07	Jun-07	3-month moving avg.	6-month moving avg.	Yr to Yr % Change
Seasonally Adjusted Unless Noted, Levels in Thous.		% Ch.	level					
<b>Existing Home Sales</b>		-4.3%	5500	5750	5760	5670	5858	-12.8
<b>Northeast</b>		-2.0%	1000	1020	1010	1010	1050	-5.7
<b>Midwest</b>		-5.2%	1280	1350	1380	1337	1368	-10.5
<b>South</b>		-2.7%	2200	2260	2260	2240	2302	-12.7
<b>West</b>		-9.8%	1010	1120	1100	1077	1135	-21.7
<b>Median Sales Price (\$ NSA)</b>		-1.8%	224,500	228,700	229,200	227,467	223,717	0.2

Source: National Association of Realtors