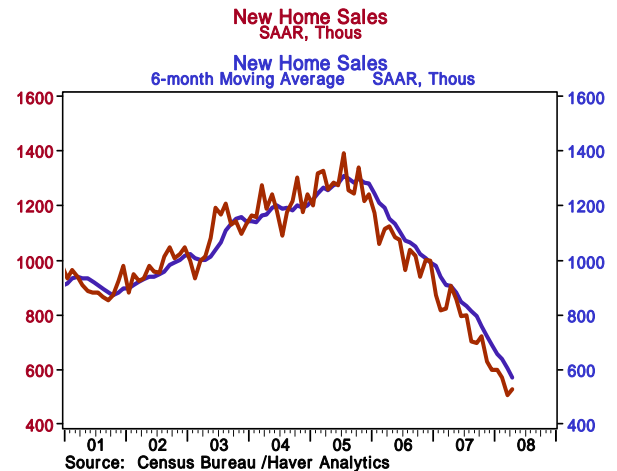


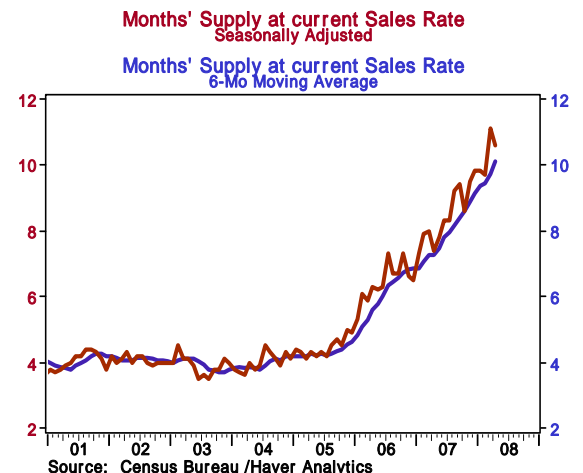
APRIL NEW HOME SALES

Chief Economist – Brian S. Wesbury
Senior Economist – Robert Stein, CFA

- New single-family homes were sold at an annual rate of 526,000 in April, slightly above the consensus expected rate of 520,000. Sales are down 42.0% versus a year ago and 62.1% from the peak in July 2005.
- Sales increased in the Northeast, Midwest, and West but declined in the South.
- At the current sales pace, the supply of unsold new homes fell to 10.6 months in April. All the decline in the months' supply was due to lower inventories. The inventory of new homes fell to 454,000, down 20.4% from the peak in mid-2006.
- The median price of new homes sold was \$246,100 in April, up 1.5% versus a year ago. The average price of new homes sold rose to \$321,000, up 3.0% versus last year.



Implications: Although there is more pain ahead, today's report on new home sales shows the correction in home building is starting to bring the sector back toward normalcy. New homes were sold at a 526,000 annual rate in April, which was better than the consensus expected. More importantly, the inventory of unsold new homes continues to drop. Total inventories have dropped for eight straight months. Meanwhile, the number of unsold *completed* new homes – a key factor behind future construction and price changes – peaked in January at 199,000 and is now down to 181,000. The 18,000 decline in only three months is the fastest reduction on record. In other news this morning, the Case-Shiller home price index is down 14.4% in March versus a year ago, close to what the consensus expected.



(This index probably overestimates the drop in home prices as it focuses on price changes in major metropolitan areas.) Also reported this morning was the Conference Board's measure of consumer confidence, which fell to 57.2 in May versus a consensus expected 60.0. Expectations about the future were the lowest since 1973. Confidence readings are substantially lower than economic fundamentals suggest they should be. However, we note that consumers expect inflation to be 7.7% over the next year, an all-time high forecast (dating back to 1987).

New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Apr-08		Mar-08	Feb-08	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
New Single Family Homes Sales	3.3%	526	509	572	536	572	-42.0
Northeast	41.7%	34	24	34	31	43	-58.0
Midwest	5.8%	73	69	77	73	76	-39.7
South	-2.4%	289	296	318	301	316	-41.7
West	8.3%	130	120	143	131	137	-37.8
Median Sales Price (\$, NSA)	9.1%	246,100	225,500	243,100	238,233	237,317	1.5
		Apr-08	Mar-08	Feb-08	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		10.6	11.1	9.7	10.5	10.1	9.3

Source: Bureau of the Census