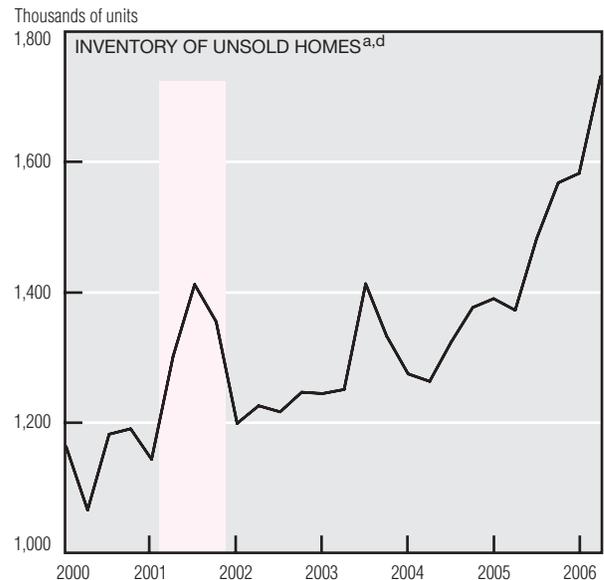
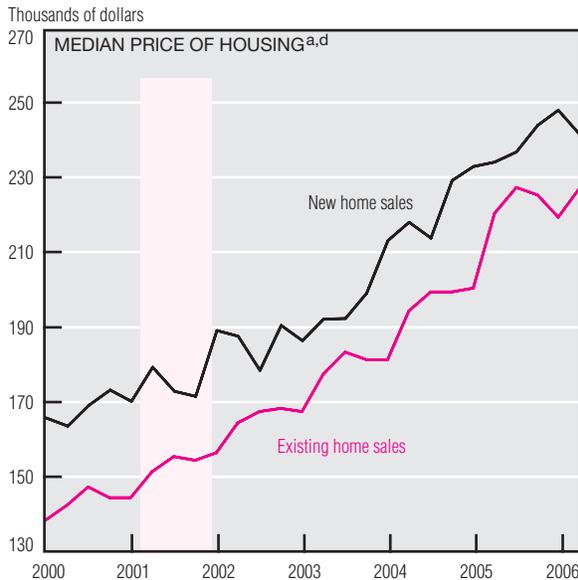
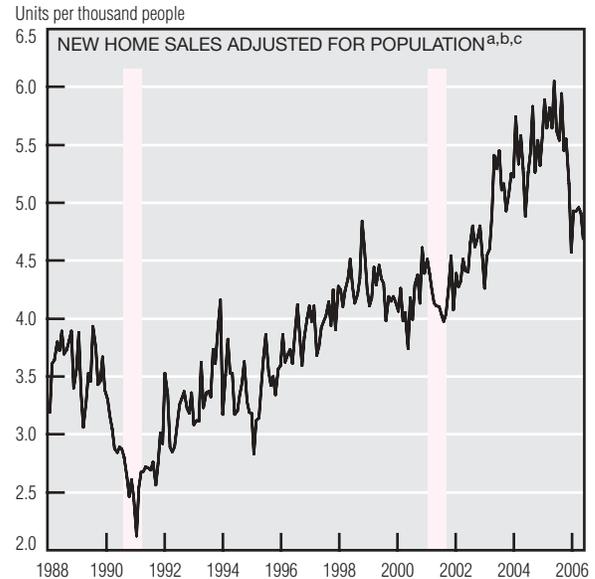
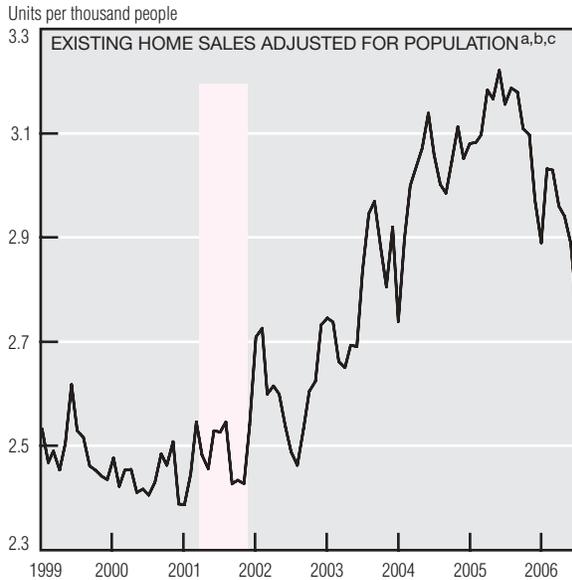


Housing Markets



- a. Shaded bars indicate recessions.
b. Adjustment based on civilian non-institutional population 16 years and older.
c. Seasonally adjusted at annual rates.
d. Quarterly data.

SOURCES: U.S. Department of Commerce, Bureau of Economic Analysis; U.S. Census Bureau; and U.S. Department of Labor, Bureau of Labor Statistics.

In case you haven't heard, the Great Housing Boom of the Early Millennium appears to be over. Certainly the July data for both existing and new home sales disappointed most expectations, which were modest to begin with. As reported by the National Association of Realtors, total existing home sales—which include single-family homes, town houses, condominiums, and co-ops—fell 4.1% in July relative to June and 11.2% relative to July 2005. The U.S. Census Bureau reported that sales of

new single-family homes in July 2006 were 4.3% below the June rate and 21.6% below the July 2005 estimate. The softening of the housing market has resulted in second-quarter prices that were up modestly for existing homes and down slightly for new ones.

Despite clear signals that residential housing markets have cooled off after the torrid pace of the last several years, unit sales remain above their pre-boom levels, and significant generalized price declines have yet to

materialize. In the historical context, activity thus far continues at a reasonably solid pace.

Nonetheless, the trend in sales is clearly negative, and builders' confidence is on the wane: In August, the Wells Fargo/National Association of Home Builders index fell to its lowest level since early 1991. Furthermore, the inventory of unsold homes has been climbing steadily since the beginning of 2005, which may well indicate that the bottom of the market has yet to be found.