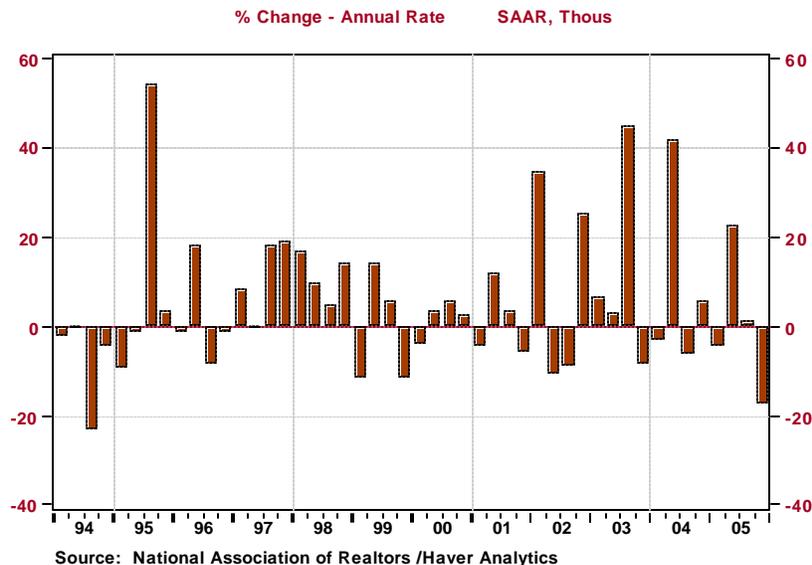




Housing Market Is Certainly Cooling Down

Sales of all existing homes fell 5.7% to an annual rate of 6.6 million units in December. For the year, existing homes sold at a pace of 7.049 million units. Sales of existing single-family homes dropped 6.8% to an annual rate of 5.720 million units during December. Sales of single-family existing homes have dropped during each month of the fourth quarter, taking the quarterly annualized decline in the fourth quarter to a hefty 17.1%. This is the largest quarterly decline since the second quarter of 1994, when sales of existing single-family homes fell at an annual rate of 23.1%. (A decline in purchases of homes is not the only noticeable change in the fourth quarter, sales of autos dropped at annual rate of 38.9% in the fourth quarter). However, 2005 closed as a banner year with the largest number of existing single-family homes sold since record keeping began in 1968.

Existing 1-Family Home Sales: United States



On a regional basis, sales of existing single-family homes dropped across all regions of the economy, with the 11.11% drop in the West taking the lead, followed by a 7.5% drop in the South, a 3.7% decline in the Midwest and a 2.5% drop in the Northeast.

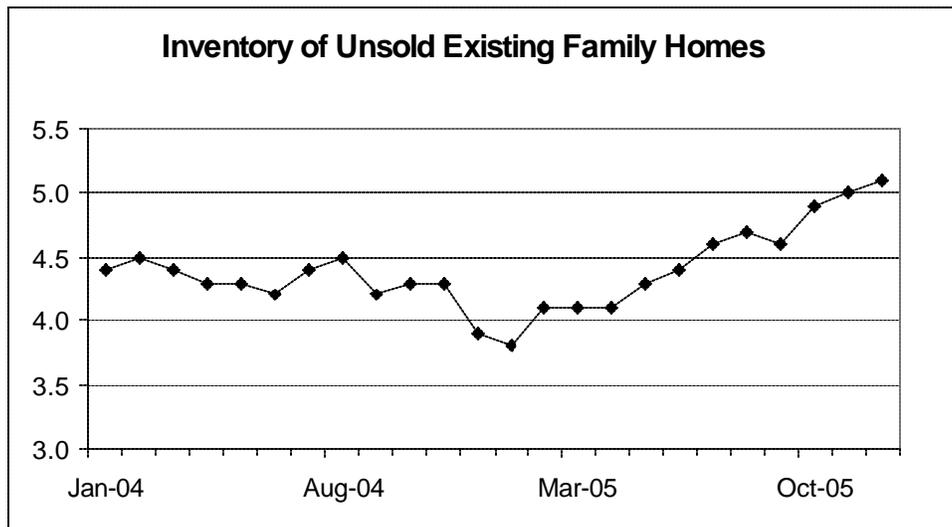
The median price of an existing single-family home was \$209,300 in December, down 1.8% for the month. The median price of an existing single-family home rose 10.8% on a year-to-year basis in December, the smallest gain since March 2005. During 2005, the median price of an existing single-family home moved up 12.8%, the largest annual increase since 1979.

NAR Median Sales Price: Existing 1-Family Homes



Source: National Association of Realtors /Haver Analytics

The signs of a cooling housing market are evident in prices, sales volume and inventories. There was a 5.1-month supply of unsold existing family homes in the market place in December, up from a 3.9-month supply in December 2004. The 30.8% jump in inventories of unsold homes could rapidly advance to much higher readings if employment gains are not robust.



The ripple effects of a housing market cooling should be quite significant. In the December employment report, the BLS noted that the two-thirds of the 246,000 increase in construction jobs during 2005 came from residential building and residential specialty contractors. Sales of new single-family homes have dropped in three out of four months ended November. Data for sales of new single-family homes will be published on December 27. Today's housing market data strengthen the case for the Fed pausing after the January 31 FOMC meeting.

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