

DAILY GLOBAL
COMMENTARY

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Market for New Homes – Signs of Stabilization Are Absent

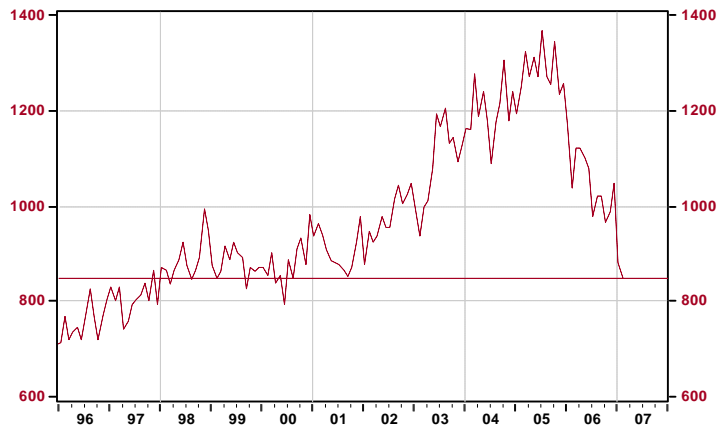
March 26, 2007

Sales of new homes fell 3.9% to an annual rate of 848,000 during February, following a revised 15.8% drop in January. Estimates of new home sales in the November – January period were revised down. Sales of new homes fell in the Northeast (-26.8%), Midwest (-20.0%), and South (-7.0%) but advanced 24.6% in the West. The volume of new single-family home sales fell to the lowest level since June 2000. The important message from today's report is that underlying conditions in the market for new homes fail to show signs of stabilization the FOMC is seeking.

Chart 1

New 1-Family Houses Sold: United States

SAAR, Thous

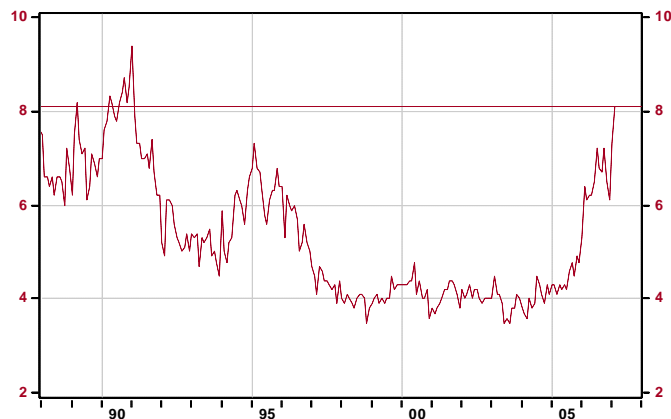


At the current sales pace, the supply of new homes rose to 8.1 months, the highest since January 1991, from a 7.3-month mark in January. This large inventory of unsold homes raises the probability of further declines in prices in the months ahead.

Chart 2

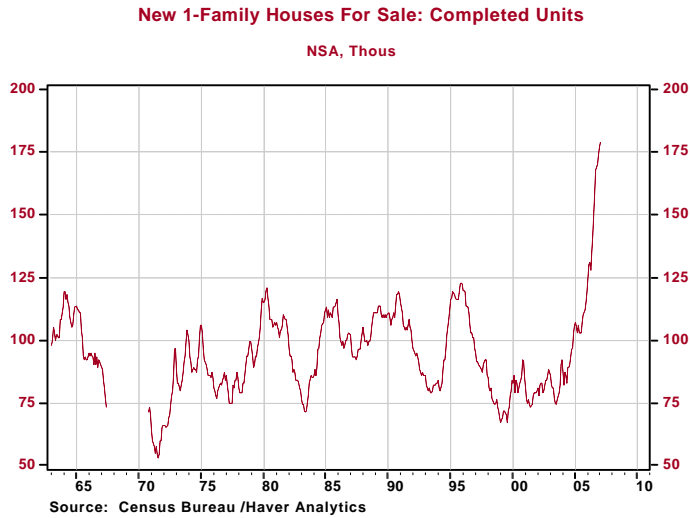
New 1-Family Houses For Sale: Months Supply

SA, Ratio



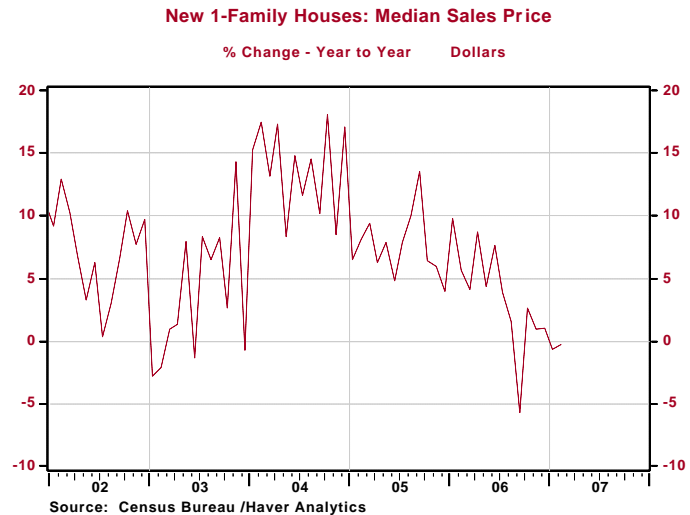
The number of completed homes for sale set a new record in February (see chart 3).

Chart 3



The median price of a new single-family home rose to \$250,000 in February from \$243,200 in the prior month. The increase in sales of homes in West most likely accounted for the higher median price. On a year-to-year basis, the median price of a new single-family home is down 0.3% from a year ago.

Chart 4



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