



Economic and Market Watch Report

1st Quarter, 2006



*Click on a County to view economic and real estate information at the county and zip code level

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Greater Las Vegas Association of REALTORS®
Economic and Market Watch Report

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Local Report

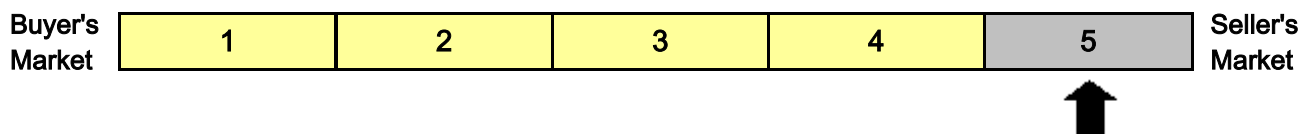
Nevada

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Clark County, NV



Labor Market :

Employment increased by 7,299 jobs in Clark County during January, February and March. However, the number of job seekers also increased. The combined effect of these two trends was an increase in the average monthly unemployment rate from 3.8% for the fourth quarter to 3.9% in the three months of the first quarter. The solid job growth may provide strong home sales, while low mortgage rates should continue to spur sales.

Housing Market :

	Q4' 05	Q1' 06	Q2' 06 (Forecast)
Average Price	\$368,200	\$376,400	↑
# Homes on the Market *	10,641	13,887	↑
# Homes Sold **	7,802	6,382	↑
# New Homes Built	6,660	4,680 ***	↑
Avg # of Days on Market	48	57	↓

* Available as of Mar. 31, 2006.

** May not add to total of zip codes.

*** During the first two months of 1st quarter.

Data by Zip Codes for Q1 2006

Zip Code	Average Price	Price Change ****	Total # Homes Sold (Quarter)	% Change in # Homes Sold ****	Average Days on Market	% of Asking Price (Sold/List Price)
89005	\$453,300	4.71%	33	-26.67%	70	96.7%
89007	\$222,000	15.44%	1	-75.00%	8	100.0%
89011	\$1,557,400	37.82%	13	18.18%	255	92.4%
89012	\$494,400	18.76%	149	-8.59%	68	96.6%
89014	\$389,000	10.67%	78	-55.68%	64	97.1%
89015	\$332,100	17.14%	349	-12.31%	58	98.2%
89019	\$345,000	34.61%	1	-75.00%	39	98.6%
89021	\$342,500	-11.75%	2	-60.00%	118	99.3%
89027	\$330,900	-5.86%	8	60.00%	91	96.9%
89030	\$196,800	27.38%	117	-27.33%	36	99.0%

**** % Change of current quarter compared to the same quarter to year ago.



Clark County, NV

Data by Zip Codes for Q1 2006

Zip Code	Average Price	Price Change ****	Total # Homes Sold (Quarter)	% Change in # Homes Sold ****	Average Days on Market	% of Asking Price (Sold/List Price)
89031	\$300,700	11.41%	375	-10.71%	52	99.3%
89032	\$277,900	12.10%	180	-12.62%	54	99.4%
89040	\$204,900	0.10%	8	166.67%	158	88.4%
89044	\$405,100	26.20%	32	540.00%	77	98.1%
89052	\$652,800	10.63%	249	-21.70%	84	97.3%
89074	\$393,800	1.36%	192	-14.29%	53	98.1%
89081	\$335,400	16.22%	74	27.59%	54	98.8%
89084	\$341,900	5.20%	66	0.00%	80	98.7%
89086	\$359,900	20.21%	27	0.00%	30	97.8%
89101	\$212,400	36.77%	64	-12.33%	31	98.7%
89102	\$310,300	9.45%	52	-23.53%	56	98.1%
89103	\$300,400	11.88%	65	-16.67%	50	98.1%
89104	\$264,400	25.25%	93	-24.39%	44	98.3%
89106	\$219,000	20.00%	85	0.00%	43	98.4%
89107	\$267,800	11.26%	141	-10.19%	43	98.7%
89108	\$272,400	11.14%	232	-16.55%	48	98.7%
89109	\$349,600	25.57%	33	50.00%	51	96.9%
89110	\$298,700	15.46%	197	-14.35%	42	99.1%
89113	\$511,800	19.89%	68	19.30%	71	97.1%
89115	\$237,000	16.81%	124	-7.46%	34	100.0%
89117	\$505,300	2.47%	144	-35.71%	54	97.8%
89118	\$367,400	14.17%	28	-41.67%	47	97.4%
89119	\$309,100	12.69%	51	-10.53%	58	98.3%
89120	\$378,400	15.37%	73	-3.95%	63	97.7%
89121	\$284,900	10.51%	122	-11.59%	46	98.7%
89122	\$256,900	11.12%	129	-27.53%	46	99.4%
89123	\$373,600	8.48%	361	-16.44%	54	98.3%
89124	\$669,300	49.46%	12	200.00%	72	96.8%
89128	\$365,300	6.41%	111	-44.78%	64	98.2%
89129	\$386,600	10.21%	223	-15.85%	62	98.5%
89130	\$354,300	5.42%	151	-15.64%	57	98.2%
89131	\$439,400	11.81%	242	-12.32%	64	97.9%
89134	\$498,700	18.06%	117	-30.77%	72	95.1%
89135	\$650,600	19.71%	126	-11.27%	67	96.8%
89138	\$536,300	8.04%	65	-2.99%	78	97.0%
89139	\$398,100	18.27%	117	-12.03%	71	98.7%
89141	\$488,500	0.47%	152	-3.18%	71	98.0%

**** % Change of current quarter compared to the same quarter to year ago.



Clark County, NV

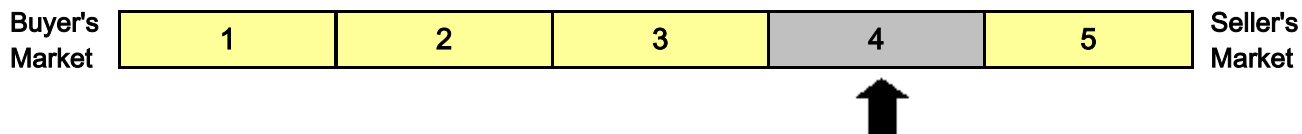
Data by Zip Codes for Q1 2006

Zip Code	Average Price	Price Change ****	Total # Homes Sold (Quarter)	% Change in # Homes Sold ****	Average Days on Market	% of Asking Price (Sold/List Price)
89142	\$271,700	11.44%	104	-15.45%	47	99.5%
89143	\$338,900	-4.18%	72	-8.86%	68	98.2%
89144	\$518,000	-6.23%	83	-23.15%	62	97.2%
89145	\$409,900	3.90%	97	11.49%	52	97.3%
89146	\$460,900	9.63%	47	4.44%	54	96.0%
89147	\$350,100	5.14%	168	-14.72%	57	98.1%
89148	\$401,900	-1.06%	196	6.52%	60	98.6%
89149	\$472,600	10.73%	105	-5.41%	63	97.7%
89156	\$279,700	11.43%	135	25.00%	48	99.4%
89166	\$315,100	-1.72%	8	-20.00%	82	98.9%
89178	\$419,300	8.82%	24	300.00%	52	97.5%
89179	\$459,300	-	2	-	11	89.5%
OTHER	\$426,300	30.37%	9	200.00%	43	90.3%

**** % Change of current quarter compared to the same quarter to year ago.



Nye County, NV



Labor Market :

A total of 409 jobs were created during January, February and March. The new jobs in Nye County were offset by a proportional increase in the number of job seekers. The net result was no change in the average monthly unemployment rate for the three months of the first quarter from the 5% rate of the fourth quarter. The new jobs should help demand. Coupled with historically low mortgage rates, these two patterns set the local housing market up for a strong spring.

Housing Market :

	Q4' 05	Q1' 06	Q2' 06 (Forecast)
Average Price	\$283,300	\$281,400	↑
# Homes on the Market *	229	298	↑
# Homes Sold **	88	76	↑
# New Homes Built	NA	NA ***	↑
Avg # of Days on Market	57	73	↓

* Available as of Mar. 31, 2006.

** May not add to total of zip codes.

*** During the first two months of 1st quarter.

Data by Zip Codes for Q1 2006

Zip Code	Average Price	Price Change ****	Total # Homes Sold (Quarter)	% Change in # Homes Sold ****	Average Days on Market	% of Asking Price (Sold/List Price)
89048	\$283,400	17.20%	59	5.36%	74	98.1%
89060	\$266,100	25.88%	13	18.18%	80	93.5%
89061	\$301,200	-17.07%	4	-55.56%	48	100.0%

**** % Change of current quarter compared to the same quarter to year ago.



Others

Data by Zip Codes for Q1 2006

Zip Code	Average Price	Price Change ****	Total # Homes Sold (Quarter)	% Change in # Homes Sold ****	Average Days on Market	% of Asking Price (Sold/List Price)
89008	\$105,800	10.67%	3	0.00%	66	95.6%
89115	\$283,400	-	1	-	59	102.7%
89301	\$134,400	76.15%	8	100.00%	125	93.3%
89316	\$44,000	-	1	-	81	95.7%
89318	\$114,500	-	2	-	70	104.6%
89319	\$80,000	-	1	-	92	94.1%

**** % Change of current quarter compared to the same quarter to year ago.

The Rising Tide of Mortgage Rates

By Ken Fears, Economist

After a brief respite in the middle of January, mortgage rates continued their climb past the 6.0% mark this spring. The average mortgage rate for the 30-year fixed rate contract reached 6.24% in the first quarter of 2006. Unfortunately, mortgage rates will only rise from here. But the news isn't all bad. While prices are at record highs and mortgage rates are on the rise, employment and incomes are also on the rise.

Housing affordability depends on a number of factors: mortgage rates, home prices, and incomes. As mortgage rates rise, affordability falls. The same is true of home prices. In both cases, as these factors rise, the size of the required monthly payment also rises. However, as incomes rise, the amount that an individual can spend per month rises, and the monthly payment is really the crucial factor.

Over the last few years, people have been amazed that home prices continued to rise. However, what this trend has shown is that the monthly payment is what really matters to the homebuyers. For instance, if a home is priced at \$200,000, then the monthly payment for this home if mortgage rates are 10% (assuming 20% down) is \$1,468. However, if mortgage rates fall to 5%, the monthly payment becomes \$955. Affordability rises in this case, so people can buy a larger home, or save the difference. Over time demand will rise and the price of the home will be bid up until the monthly payment on it is nearly the same as before the rate change. The new price is roughly \$308,000, or a 50% increase in the home price for a 50% decline in rates.

The one factor that is closest to set-in-stone in the purchase equation is the percentage of buyer's income that she will devote to housing, which is roughly 28%. But rising incomes will increase the monthly payment that buyers can afford. For example, a person with an annual income of \$50,000 can afford a monthly payment of \$1,167. If their income were to grow 4.0%, then the monthly payment that the homebuyer could afford rises to \$1,202, an increase of \$35. While this may not sound like much, it is important to note that real disposable income rose 12.9% from 2000 to 2005. In this example, that would increase the feasible monthly payment to \$1,317, or an increase of \$150.

First Quarter	Average Home Price	Average Rate on 30-Year FRM	Monthly Payment
2002	\$186,491	8.26%	\$1,068
2004	\$269,370	5.61%	\$1,363
2005	\$340,130	5.75%	\$1,744
2006	\$376,174	6.24%	\$2,018

In the area covered by the Greater Las Vegas Association of REALTORS®, we've seen an increase in the average price of roughly 101.7% since 2002. The average monthly payment has risen by roughly \$950. But what does this mean for the future? How will buyers continue to afford homes as prices rise? Luckily, the growing economy continues to create more jobs and grow incomes. NAR® Research expects job growth to continue at a healthy clip, rising 1.6% in 2006 and 1.4% in 2007. More importantly, incomes, which grew 1.5% last year, are expected to increase 3.7% in 2006 and 4.0% in 2007. Rising employment will help to increase the pool of persons looking for housing, while rising incomes will help to offset the eroding power of rising mortgage rates.

The booming economy continues to create healthy drivers for a more stable, long-term real estate market. Rising incomes will help to soften the landing for the real estate market as a whole as it transitions to an environment of higher mortgage rates.

A Tale of Two (types of) Cities

by David Lereah, *Chief Economist*

Well, the boom is over and most of our nation's hot housing markets are cooling. Home sales are off 5 to 20 percent in some markets that were once setting annual sales records. But there have been no signs of bubbles bursting as of yet. Real estate activity began slowing about six months ago, and – perhaps with some fingers and toes crossed – our nation's housing industry is managing a soft landing. And quite nicely, thank you. It is true, some of those “hot hot hot” markets are experiencing more of a cooling down than are others, but there is also a silver lining to that: some of America's non-boom markets are showing signs of life.

During the real estate boom's five-year run (2001 to 2005), about 65 of the 135 metropolitan areas on which the National Association of REALTORS® tracks price data experienced robust price appreciation. The households living in – and investors investing in – those 65 boom markets during those five years enjoyed substantial equity gains on their properties and no doubt engendered the envy of non-boom homeowners and investors. Indeed, to the dismay of the remaining 70 metro areas, the boom seemed to discriminate as it passed over them. But today, the housing coin has flipped – sales are softening in (former) boom cities and gaining momentum in non-boom cities. It appears the haves and the have-nots have reversed places.

What is driving that reversal of fortune? The answer is: affordability. Quite simply, affordable metros are in favor and unaffordable metros are experiencing a correction. Let's look at both situations.

Affordable Metros

The recent real estate boom seemed to have bypassed Denver, Salt Lake City, Houston, and Albuquerque, New Mexico; now those markets are raising some eyebrows. In recent months, they have shown a pick up in sales activity. What all four of these metros have in common is a healthy local economy (evident in their job creation figures) and affordable housing prices. It is becoming increasingly clear that in the aftermath of the boom, households are now seeking affordable property to purchase (and live in). For example, there are cases where households living in pricey northern California neighborhoods (such as San Francisco) are moving from an area where the median home price is a lofty \$730,000 to areas with substantially lower median home prices. Denver and Salt Lake City – as well as some still-hot markets like Las Vegas and Phoenix – could be the fortunate recipients of that trend.

Another way of viewing a healthy housing market is to look at the direction of months' supply of homes available for sale (the housing inventory). The top ten metros ranked by the largest year-over-year decrease in months' supply in February, reveals that nine out of those ten areas are *affordable* markets. Led by Austin, Texas, which experienced the largest decrease (falling from a 5.0-months' supply in February 2005 to 4.3-months' supply in February 2006), the remaining nine metros were Houston, San Antonio, Raleigh-Cary, Albuquerque, Mobile, Fort Myers-Cape Coral, Kansas City, Beaumont-Port Arthur, Texas and Baton Rouge. Only Fort Myers-Cape Coral, Florida experienced the real estate boom and has a median home price higher than the national median home price.

Again, all of these metros share the two characteristics that are attracting future home buyers – a healthy local economy and a relatively low median home price. I expect these metros as well as other affordable and healthy metros to exhibit slow- to moderate growth during the remaining months of this year.

Boom Metros

Phoenix, Naples, Florida, and Washington, DC all experienced the boom during the past five years, but are now showing strong signs of cooling. What they all have in common are a history of robust price appreciation and a healthy local economy. Ranking the top ten metros by the largest increase in months' supply (which is a sign of a "cooling" market) in February reveals that all ten metros were boom metros. From first to tenth are Phoenix, Palm Bay-Melbourne, Florida, Pensacola, Florida, Chicago-Naperville, Hagerstown-Martinsburg, Tucson, Orlando, Boston, Washington DC, and Worcester, Massachusetts. Phoenix experienced the greatest increase, where its months' supply rose from 1.2 months in February 2005 to 5.6 months in February 2006. Sales in all of these metros have also fallen within the past 6 months.

A Happy Ending

The good news is that affordable metros are beginning to expand while boom metros are cooling into a soft landing. There have been no bubbles bursting, as predicted by so many academics and Wall Street analysts during the past several years. The last time a bubble burst was in Boston in 1990/91. What happened in Boston? It experienced a negative local economic event – a sharp recession. During that time, Boston lost 15 percent of its labor force and the months' supply of homes climbed up to a remarkable 16 months! Something had to give so prices tumbled downward for the next four years. The difference between Boston's experience and today's cooling metros is the health of the local economy. Boston's economy experienced a contraction, while our boom markets all possess healthy, expanding economies. With job creation and income growth, households will continue to have the wherewithal to purchase property even in cooling local markets. That is a perfect recipe for a soft landing.

*Want more insights from NAR Chief Economist David Lereah? Visit **REALTOR.org** to see some of his latest comments from press interviews and speeches at www.REALTOR.org/Research.nsf/Pages/housingoverview*

The Forecast

By Lawrence Yun, *Senior Research Forecaster*

Immigration is a not an easy subject to tackle. Should the U.S. have fully open borders and allow anyone from any country to come to the U.S. and contribute to and take advantage of American culture and citizenship? Or, should our nation build a fence around itself to protect it against illegal immigration and possible entry from potential terrorists? There are passionate feelings displayed by those who support a more open borders approach to immigration (such as allowing illegal immigrants to remain in the country), and those who would restrict immigration or otherwise suppress activities by those who come here from another county. There are many well-reasoned arguments on both sides. The topic has led to intra-party disunity within both the Republican and Democratic parties.

But, there is one area where there is a little disagreement. Immigration has helped the housing market. Why? The answer is simple: people need a home in which to live. So it should not be surprising that dynamic housing markets are frequently those in regions that have significant immigrant populations. The fast growing regions of Las Vegas, Phoenix, Washington D.C. and much of Florida have seen strong housing demand – and a significant run-up in home prices – due in no small part because these markets have strong immigrant populations.

So, what happens to housing markets when there is no immigration? Here's an example. Home prices in Japan have been stagnant for the past 20 years. One reason is that the country's population has been virtually unchanged during that same time period. The same stagnation is also present in eastern Germany (where many have left for the better western half). Similar situations can be found in areas of the U.S. like Elmira, New York and Danville, Illinois. What happens to those empty homes when people leave and there are no new households to occupy them?

An interesting study by the Philadelphia Federal Reserve Bank showed that home prices in immigration-heavy neighborhoods rise much more slowly than other neighborhoods in the local region. That is, the “there goes the neighborhood” reaction may be at work as established residents flee an area as newcomers move in. However, home prices in any overall metro region with a high number of immigrants in general rose at a significantly faster clip than those metro regions with little immigration. More people translates into more housing demand.

The concerns of whether or not the current swelling number of immigrants will eventually assimilate into the U.S. society are an open and legitimate question that needs to be addressed fully. But housing demand will remain healthy — and certainly healthier for the foreseeable years than it would otherwise be in the absence of immigration. As for 2006, home sales will reach their third best year ever; home prices are projected to rise 6.4%. These are both solid figures in a rising interest-rate environment. The national job market also looks to perform well in 2006. The best guess for now is for 2.3 million net new jobs. Moreover, the stock market has been flirting with a 5-year high, which will translate into higher demand for vacation homes. The construction of these homes, as many in the homebuilding industry will affirm, would not have been possible without immigrants.

As for the local area, the job market has been very positive in recent quarters (6.9% growth in the latest quarter). At the same time, higher mortgage rates have reduced affordability. Home sales, as a result, has been pulling in different directions. Sales were 14% lower in the first quarter compared to the year before. Home prices have continued to increase though because few are forced to sale in a job creating environment. Given the strength in the national economy, the local economy looks to catch part of that upward tide by the year end. Home sales are expected to definitively turn positive once interest rates stabilized while jobs get added. The forecast is for 7% decline in home sales in 2006 followed by a 4% rise in 2007. Home prices will increase 7% in 2006 and then 4% in 2007.

Economic and Housing Market Outlook: Second Quarter 2006

	2005			2006			2007			2004	2005	2006	2007	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2					Q3
U.S. Economy														
<i>Annual Growth Rate</i>														
Real GDP	3.3	4.1	1.7	5.0	3.9	3.6	3.4	3.2	3.1	3.1	4.2	3.6	4.0	3.8
Nonfarm Payroll Employment	1.6	1.6	1.2	2.1	1.5	1.8	1.7	1.6	1.2	1.5	1.1	1.6	1.6	1.7
Consumer Prices	3.7	5.5	3.2	3.3	2.6	2.5	3.1	2.6	2.2	2.3	2.7	3.4	3.0	2.0
Real Disposable Income	0.2	-1.4	6.7	4.4	4.2	4.3	4.4	4.7	3.4	3.4	3.4	1.3	4.6	4.4
Consumer Confidence	102	99	96	106	108	107	108	109	110	110	80	100	105	109
<i>Percent</i>														
Unemployment Rate	5.1	5.0	4.9	4.7	4.8	4.8	4.7	4.7	4.8	4.8	5.5	5.1	4.9	4.7
<i>Interest Rates, Percent</i>														
Fed Funds Rate	2.9	3.5	4.0	4.4	4.9	5.0	5.0	5.0	5.0	4.8	1.3	3.2	4.5	4.5
3-Month T-Bill Rate	2.9	3.4	3.8	4.4	4.8	4.9	4.9	4.9	4.9	4.7	1.4	3.2	4.3	4.3
Prime Rate	5.9	6.4	7.0	7.4	7.9	8.0	8.0	8.0	8.0	7.9	4.3	6.2	7.5	7.5
Corporate Aaa Bond Yield	5.1	5.1	5.4	5.5	5.9	6.1	6.2	6.3	6.4	6.4	5.6	5.3	6.0	6.2
10-Year Government Bond	4.2	4.2	4.5	4.6	4.9	5.1	5.2	5.3	5.4	5.3	4.3	4.3	4.9	5.1
30-Year Government Bond	4.5	4.4	4.7	4.7	5.0	5.3	5.4	5.6	5.7	5.7	5.1	4.6	5.1	5.2
<i>Mortgage Rates, percent</i>														
30-Year Fixed Rate	5.8	5.7	5.8	6.2	6.6	6.8	6.9	7.0	7.1	7.0	5.8	5.9	6.5	6.8
1-Year Adjustable	4.3	4.5	5.1	5.3	5.6	5.7	5.7	5.7	5.7	5.6	3.8	4.5	5.4	5.5
National Housing Indicators														
<i>Thousands</i>														
Existing Single-Family Sales	7,193	7,180	6,943	6,729	6,669	6,592	6,662	6,674	6,716	6,731	6,784	7,072	6,787	6,821
New Single-Family Sales	1,287	1,298	1,286	1,182	1,169	1,122	1,091	1,088	1,086	1,176	1,203	1,282	1,209	1,198
Housing Starts	2,044	2,101	2,059	2,139	2,025	1,954	1,890	1,855	1,856	1,857	1,956	2,065	1,936	1,943
Single-Family Units	1,693	1,747	1,716	1,757	1,677	1,606	1,537	1,494	1,490	1,488	1,604	1,714	1,600	1,544
Multifamily Units	351	354	343	382	348	348	353	360	366	370	345	350	337	399
Residential Construction*	599	610	614	626	627	614	600	588	583	584	562	604	607	595
<i>Percent Change -- Year Ago</i>														
Existing Single-Family Sales	4.7	6.5	0.9	-3.0	-7.3	-8.2	-4.1	-0.8	0.7	2.1	9.7	4.2	-4.0	0.5
New Single-Family Sales	7.0	11.5	3.5	-5.3	-9.1	-13.5	-15.2	-8.0	-7.1	4.8	10.8	6.6	-5.7	-0.9
Housing Starts	6.3	6.4	4.3	2.7	-0.9	-7.0	-8.2	-13.3	-8.3	-5.0	5.2	5.6	-6.2	0.3
Single-Family Units	5.9	6.9	5.9	2.8	-1.0	-8.1	-10.4	-15.0	-11.2	-7.4	6.6	6.4	-6.7	-3.5
Multifamily Units	8.6	4.2	-2.6	2.1	-0.8	-1.6	3.0	-5.7	5.2	6.1	-0.9	1.4	-3.7	18.5
Residential Construction	6.1	7.2	7.6	7.2	4.5	0.7	-2.3	-6.1	-7.0	-5.0	10.3	7.6	0.4	-2.0
National Home Prices														
<i>Thousands of Dollars</i>														
Existing Home Prices	209.3	216.3	214.7	209.6	222.3	227.1	224.6	219.0	231.8	236.9	185.2	209.1	219.7	228.1
New Home Prices	230.2	236.6	239.5	235.2	238.7	246.3	250.3	246.0	249.7	258.1	221.0	237.3	245.2	256.3
<i>Percent Change -- Year Ago</i>														
Existing Home Prices	13.3	14.2	13.4	10.1	6.2	5.0	4.6	4.5	4.3	4.3	8.5	12.9	5.1	3.8
New Home Prices	6.3	10.5	5.2	2.3	3.7	4.1	4.5	4.6	4.6	4.8	3.9	7.4	3.3	4.5
Local Region														
Payroll Jobs (in thousands)	869.2	875.6	899.7	899.2	925.7	926.4	949.2	948.7	974.8	974.6	812.7	871.4	925.1	974.1
Home Sales	10111	10329	8056	6490	9577	9689	7891	6567	9836	10087	37332	36027	33647	35097
Home Prices (in thousand \$)	356.1	363.3	365.6	379.2	383.8	385.0	383.9	395.1	399.6	400.8	305.2	356.8	383.3	398.2
<i>Percent Change -- Year Ago</i>														
Jobs	7.7%	7.1%	6.9%	6.9%	6.5%	5.8%	5.5%	5.5%	5.3%	5.2%	6.9%	7.2%	6.2%	5.3%
Home Sales	-4.3%	2.7%	0.0%	-13.8%	-5.3%	-6.2%	-2.1%	1.2%	2.7%	4.1%	15.9%	-3.5%	-6.6%	4.3%
Home Prices	14.7%	13.8%	14.2%	11.6%	7.8%	6.0%	5.0%	4.2%	4.1%	4.1%	36.1%	16.9%	7.4%	3.9%









Quarterly figures are seasonally adjusted annual rates.

* Billion dollars

Source: Forecast produced using Macroeconomic Advisers quarterly model of the U.S. economy.

Assumptions and simulations by Dr. David Lereah and Dr. Lawrence Yun.

This table reflects data available through April 10, 2006.

Monthly Indicator	Recent Statistics	Likely Direction Over the Next Six Months	Forecast
<p>Mortgage Rates The 30-year fixed-rate mortgage edged up in March to 6.32% – an increase of seven basis points from February’s level. Mortgage rates are expected to rise further as concerns on inflation put upward pressure on interest rates. The one-year adjustable rate increased eight basis points in March to 5.42%.</p>	Jan 6.15 Feb 6.25 Mar 6.32		Expanding global economy puts upward pressure on rates
<p>Existing Home Sales rose 5.2% in February to a seasonally adjusted annualized rate of 6.91 million units – ending five consecutive months of declines. Home prices continued to show strength, with the median price of an existing home rising 10.6% from February 2005 to \$209,000. The inventory of homes for sale rose by 150,000 in the past month to 3.03 million – a 5.3 months’ supply at the current sales pace.</p>	Dec 6,750 Jan 6,570 Feb 6,910		Higher rates cutting home sales, particularly in high-priced markets
<p>New Home Sales In February, new home sales posted 1.08 million seasonally adjusted annualized units. The sales pace represents a 10.5% decrease from January’s revised figure of 1.21 million units, and is 13.4% below the level in February of 2005. Inventory of newly constructed homes increased to 548,000 – a 6.3-months’ supply at the current sales pace.</p>	Dec 1,275 Jan 1,207 Feb 1,080		A huge rise in unsold inventory
<p>Housing Starts declined in February to 2.12 million seasonally adjusted annualized units after soaring to their highest level in over 30 years in January. Both single-family and multifamily starts posted declines. But the current construction pace is still very robust. The 1.8 million single-family starts is higher than the last year’s record of 1.7 million.</p>	Dec 1,989 Jan 2,308 Feb 2,120		Mostly down, but affordable job creating regions may buck the trend
<p>Employment The economy added 211,000 jobs in March – stronger than the 190,000 most analysts had anticipated. Both February and January employment numbers were revised downward to 225,000 and 154,000, respectively. Unemployment decreased to 4.7% – its lowest level in 4 1/2 years.</p>	Jan 154 Feb 225 Mar 211		Two million net new jobs on tap for 2006
<p>Purchase Applications The Mortgage Bankers Association’s purchase index inched up to 407.6 in March. While the housing market begins cooling in most markets with both new and existing home sales expected to soften due to rising mortgage rates, the index level is still considerably strong and will remain healthy this year.</p>	Jan 452.7 Feb 406.6 Mar 407.6		Will be a difficult year for mortgage brokers
<p>Housing Affordability NAR’s housing affordability index rose 0.8% in February to 117.6. Last month’s index was revised upward slightly. Going forward, the affordability index should hover at similar levels for the remainder of the year as moderating home prices somewhat offset rising mortgage rates.</p>	Dec 117.0 Jan 116.7 Feb 117.6		Home prices rose faster than income over the past five years
<p>Inflation The consumer price index (CPI) rose 0.1% in February. Two sectors – fuel and apparel – fell sharply, which helped to minimize the increase in the core index which rose 0.1%. The CPI should continue to grow at a projected average monthly rate of 0.3% for the next three months.</p>	Dec -0.1% Jan 0.7% Feb 0.1%		Inflation at the upward end of the comfort zone

Notes: All rate are seasonally adjusted. New home sales, existing home sales, and housing starts are shown in thousands. Employment growth is shown as month-to-month change in thousands. Inflation is shown as the month-to-month change in the Consumer Price Index. Sources: NAR, Bureau of the Census, Bureau of Labor Statistics, Freddie Mac, and the Mortgage Bankers Association