

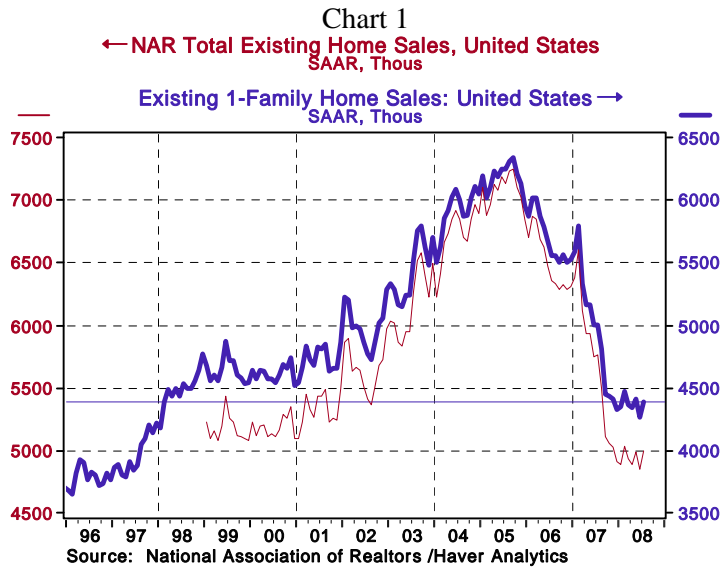
DAILY GLOBAL COMMENTARY

Northern Trust
Global Economic Research
50 South LaSalle
Chicago, Illinois 60603
northerntrust.com

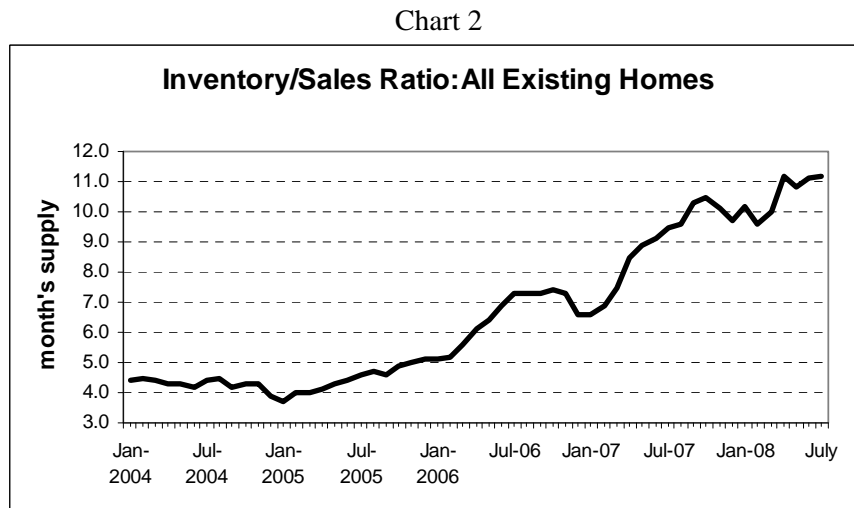
Asha G. Bangalore
agb3@ntrs.com

Although Sales of Existing Homes Increased, Inventory of Unsold Homes Remains at Cycle High
August 25, 2008

Sales of existing homes rose 3.1% to an annual rate of 5.00 million units in July, after a 2.8% decline in June. Sales of all existing homes have hovered around a narrow range of 4.91 million units to 4.47 million units for the ten months ended July. The National Association of Realtors has indicated that 33% to 40% of sales in July were of foreclosed properties.



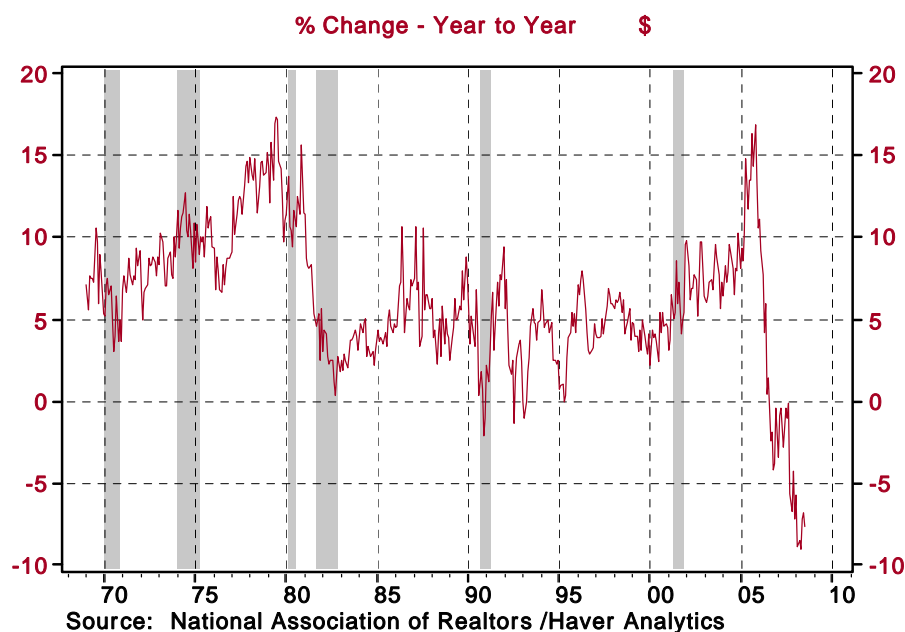
The inventory of unsold existing homes rose to an 11.2-month mark, a cycle high, matching the level reported for April 2008 (see chart 2). Most of the recent growth in inventory is in condos and apartments (15.1 months vs. 12.1 months in June). The inventory-sales ratio for single-family homes fell slightly to a 10.6-month supply from an 11.0-month supply)



This large inventory of existing homes continues to translate into lower prices for homes. The median price of an existing home fell 7.1% on a year-to-year basis in July. On a month-to-month basis, the median price declined 1.26% to \$212,400 in July. The median price of an existing single-family home dropped 7.7% from July 2007 to \$210,900. In April, the median price of an existing single-family home fell 9.0% on a year-to-year basis, marking a record decline. There was a mild moderation in the pace of price declines in the May and June months, with July now showing a sharper drop in price compared with each of the prior two months.

Chart 3

NAR Median Sales Price: Existing 1-Family Homes, United States



On a regional basis, sales rose in the West (mom: +9.7%; yoy: +0.9%) largely due to a sharp drop in prices from a year ago (-22.2%). According to anecdotal reports and the NAR, foreclosures have led to significant declines in prices which have helped move sales, particularly in the West. Sales of existing homes rose in the Northeast (+5.9%) and Midwest (+0.9%) but fell in the South (-0.5%) during July. On a year-to-year basis, sales of existing homes have declined in the Northeast (-11.8%), Midwest (-17.0%) and South (-18.1%). The housing market adjustment is incomplete and has many months to go before stabilization.

The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence your investment decisions.

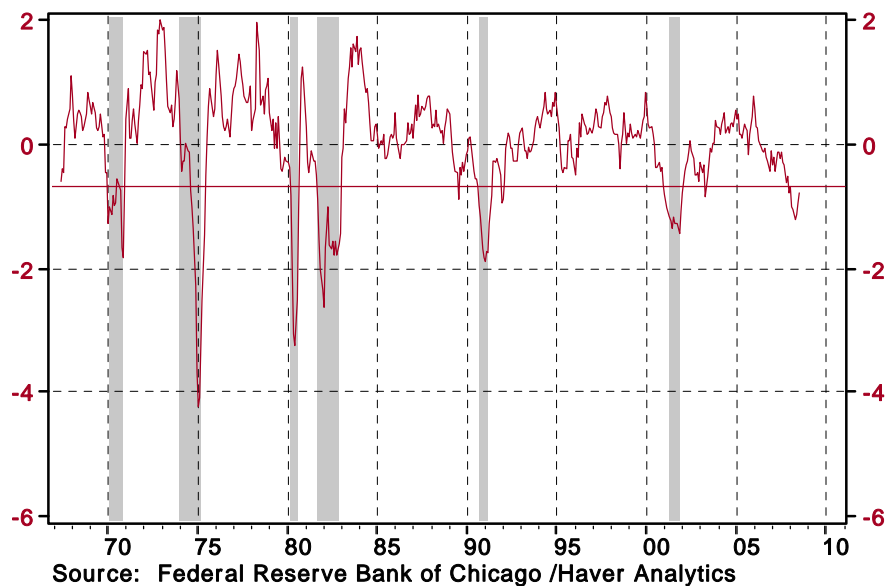
The Chicago Fed National Activity Index Remains In Recession Territory

The Chicago Fed National Activity Index (CFNAI) declined to -0.67 in July from -0.59 in the prior month. The three-month moving average stands at -0.8, a small improvement from -0.94 in June. According to the Chicago Fed, 3-month moving average readings of the CFNAI that are below -0.7 after a period of expansion are associated with recessions. The CFNAI has held below or near -0.7 for eight six consecutive months.

Chart 4

FRB Chicago National Activity Index: 3 Mo. Moving Average

+=growth above trend



The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence your investment decisions.