

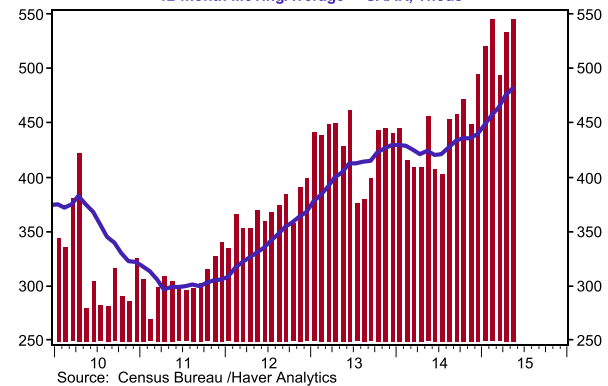
May New Home Sales

Brian S. Wesbury – Chief Economist
 Robert Stein, CFA – Dep. Chief Economist
 Strider Elass – Economist

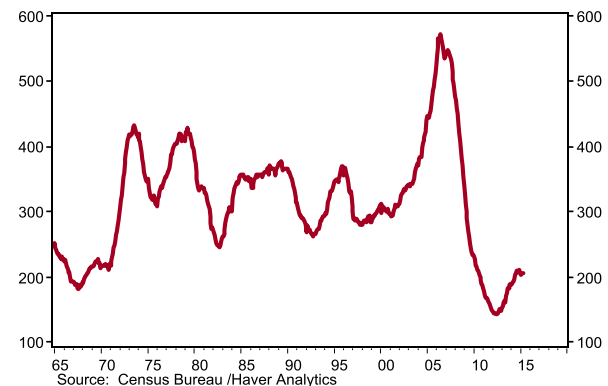
- New single-family home sales increased 2.2% in May to a 546,000 annual rate, coming in above the consensus expected pace of 523,000. Sales are up 19.5% from a year ago.
- Sales rose in the Northeast and West, but declined in the Midwest and the South.
- The months' supply of new homes (how long it would take to sell the homes in inventory) declined to 4.5 months in May from 4.6 in April. The decline was due to the faster pace of sales. Inventories were unchanged.
- The median price of new homes sold was \$282,800 in May, down 1% from a year ago. The average price of new homes sold was \$337,000, up 4.2% versus last year.

Implications: Excellent report out of the housing market today as purchases of new homes rose to the fastest pace in seven years, signaling that buyers are once again on the hunt. Sales of new homes rose 2.2% in May, exceeding even the most optimistic forecasts, and are up 19.5% from a year ago. This is one reason we think the Federal Reserve will move forward with raising rates by September. In fact, all the talk about the Fed raising rates is probably getting some buyers into the market sooner, thinking they can avoid paying higher mortgage rates in the future. Meanwhile, today's data is very good news for homebuilding activity in the year ahead. The months' supply of new homes fell to 4.5 in May from 4.6 in April as sales picked up but inventories remained unchanged. And although the raw inventory of unsold new homes is up in the past year, all of the increase is due to homes where construction hasn't even been started. The number of completed homes sitting unsold is unchanged from a year ago, and still at very low levels, while the number of unsold new homes still under construction is down from a year ago. As a result, builders have plenty of room to increase both construction and inventories. However, sales still remain depressed relative to history. We think there are a few reasons for this. First, a larger share of the population is renting. Second, buyers have shifted slightly from single-family homes, which are counted in the new home sales data, to multi-family homes (think condos in cities), which are not counted in this report. Third, although we may be starting to see a thaw, financing is still more difficult than it has been in the past. Each of these is beginning to change. Recently, single-family housing starts have showed some signs of picking up relative to multi-family starts, suggesting builders (the quintessential entrepreneur) see a larger appetite for homeownership and single-family home purchases. In other housing news this morning, the FHFA index, which measures prices for homes financed with conforming mortgages, increased 0.3% in April and was up 5.3% from a year ago. In the twelve months ending in April 2014 and April 2013, the index was up 6.0% and 7.2%, respectively. In other words, while home prices continue to rise, they're doing so at a slower rate as a more robust pace of home building brings supply closer in-line with demand. Expect more of the same in the year ahead.

New 1-Family Houses Sold
 SAAR, Thous
 New 1-Family Houses Sold
 12-month Moving Average SAAR, Thous



New 1-Family Houses For Sale: United States
 SA, Thous



New Home Sales	May-15		Apr-15	Mar-15	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
<i>All Data Seasonally Adjusted, Levels in Thousands</i>							
New Single Family Homes Sales	2.2%	546	534	494	525	523	19.5
Northeast	87.5%	30	16	19	22	23	-21.1
Midwest	-5.7%	66	70	57	64	61	-12.0
South	-4.3%	312	326	283	307	303	33.3
West	13.1%	138	122	135	132	136	25.5
Median Sales Price (\$, NSA)	-2.9%	282,800	291,100	287,900	287,267	291,617	-1.0
		May-15	Apr-15	Mar-15	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		4.5	4.6	5.0	4.7	4.8	5.2

Source: Bureau of the Census

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