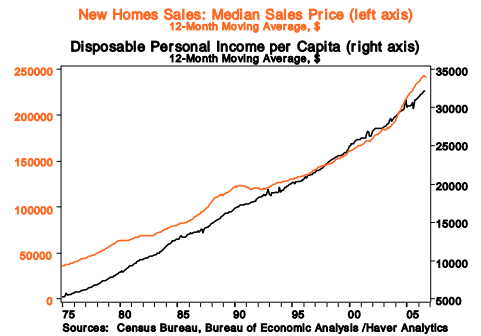
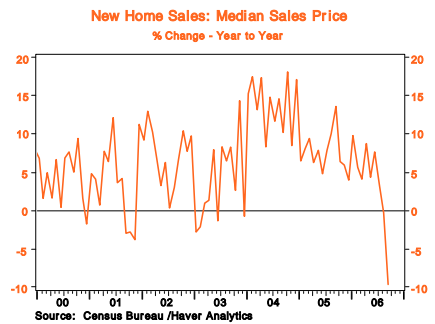
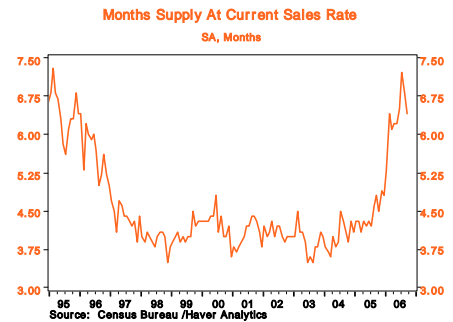
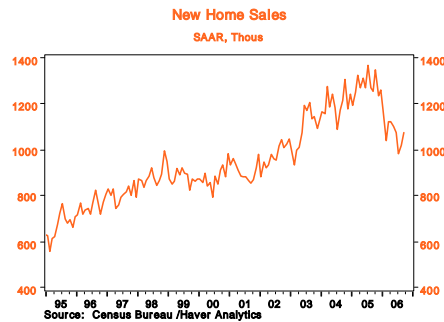


Brian S. Wesbury
Chief Economist
Bill Mulvihill
Senior Economist

SEPTEMBER NEW HOME SALES

- New single-family home sales rose 5.3% in September, to 1.07 million units at an annual rate, the 2nd consecutive monthly increase, and a sign that the housing market is stabilizing.
- The median price of a new home fell to a non-seasonally adjusted \$217,000 in September – 9.7% lower than a year ago. This is the largest YOY decline in median sales price since 1970.
- At the current sales pace, the supply of unsold new homes fell to 6.4 months in September versus 6.8 months in August. From 1970-2000 the inventory of new homes for sale averaged 6.4 months.

Implications: New home sales jumped 5.3% in September and have now increased for two consecutive months (the first back-to-back monthly gain since Jan/Feb 2005). This follows a 21.8% decline in new home sales during the first seven months of this year. This suggests that the housing market might have found a bottom. In addition, inventories appear to have stabilized – the supply of unsold new homes declined in all four regions of the country during September. While the median sales price of a new home has declined a scary 9.7% in the past year, this is most likely due to a shift in the types of homes that sold. As a result, this data cannot be read a decline in the price of homes all across the country. The median price of a new home is still 30.3% above the 2000 average and the housing market is showing signs of some stabilization. Employment is growing rapidly, the consumer remains resilient, and new orders for manufacturing products are strong. As a result, it is unlikely that the housing market or the economy is on the precipice of a contraction that leads to recession.



New Home Sales <i>all data seasonally adjusted, thous.</i>	Sep-06		Aug-06	Jul-06	3-mo	6-mo	Yr over yr
	% Ch	Level			moving avg	moving avg	% ch.
New Single Family Homes Sales	5.3%	1075	1021	984	1027	1063	-14.2
Northeast	-34.5%	57	87	61	68	66	-6.6
Midwest	-6.3%	135	144	133	137	154	-36.6
South	6.9%	603	564	523	563	575	-7.9
West	23.9%	280	226	267	258	268	-13.6
Months Supply at current sales rate	-5.9%	6.4	6.8	7.2	6.8	6.6	33.3
Median Sales Price (\$, NSA)	-9.3%	217,100	239,300	236,500	230,967	238,550	-9.7
Average Sales Price (\$, NSA)	-6.6%	293,200	314,000	309,600	305,600	304,333	-2.1

Source: Bureau of the Census

This report was prepared by First Trust Advisors, L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security