

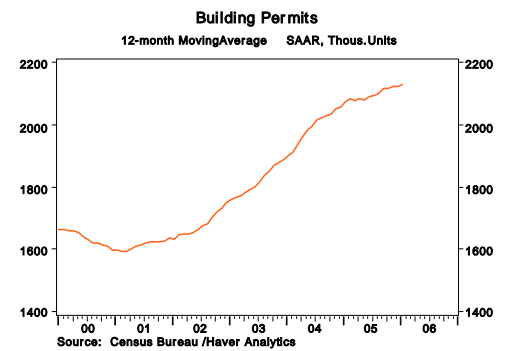
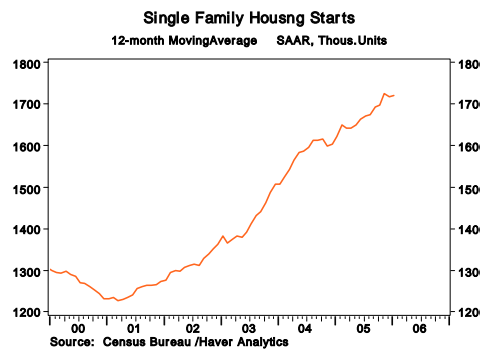
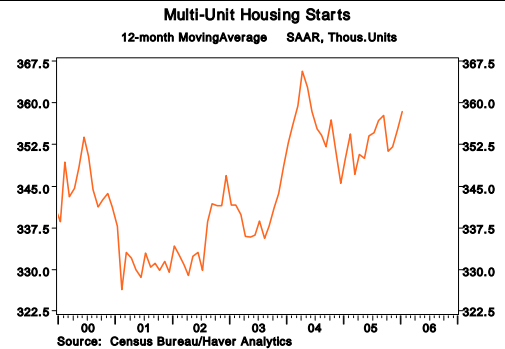
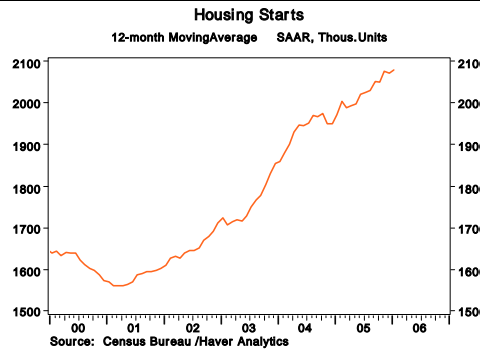
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## JANUARY HOUSING STARTS

- Housing starts jumped 14.5% in January to 2.276 million units at an annual rate. This is the largest one-month jump since 1994 and the highest level since 1973. Single family starts increased 12.8% in January, while multi-unit starts jumped 21.9%.
- New building permits rose 6.8% in January to an annualized 2.217 million units. Building permits have been above the two million mark for 22 consecutive months.

**Implications:** Stories about an imminent “pop” in the housing “bubble” appear to be overblown. Housing starts jumped 14.5% in January (the highest increase since 1994) to a 32-year high of 2.276 million units. Moreover,

building permits rose 6.8% in January, suggesting that future housing activity should remain robust. Record setting housing activity has been supported by the pillars of increased US wealth, favorable tax policy, demographic trends and low interest rates. Even if interest rates continue to rise (as we have forecast they will), the other pillars are long-term trends that will prevent any significant collapse. As a result, we expect housing activity will neither boom nor bust but remain rather flat for most of 2006. Separately, initial claims for unemployment benefits rose to 297,000 last week versus 278,000 in the previous week. Despite this increase, initial claims remain at a level that signals a robust employment market. Our models suggest that claims at this level should be consistent with monthly job gains of around 230,000. Both housing and employment have solid forward momentum.



Housing Starts SAAR, thousands	Monthly % Ch.	Jan-06 Level	Dec-05 Level	Nov-05 Level	3-mth moving avg	6-mth moving avg	Yr over Yr % Ch.
<b>Housing Starts</b>	<b>14.5%</b>	<b>2276</b>	1988	2136	2133	2115	4.0%
<b>Northeast</b>	<b>29.2%</b>	<b>217</b>	168	196	194	192	32.3%
<b>Midwest</b>	<b>23.7%</b>	<b>371</b>	300	395	355	359	11.7%
<b>South</b>	<b>8.7%</b>	<b>1177</b>	1083	991	1084	1038	3.4%
<b>West</b>	<b>16.9%</b>	<b>511</b>	437	554	501	527	-7.8%
<b>Single-unit</b>	<b>12.8%</b>	<b>1819</b>	1613	1803	1745	1746	2.8%
<b>Multi-unit</b>	<b>21.9%</b>	<b>457</b>	375	333	388	369	9.1%
2-4 unit	-6.3%	30	32	38	33	39	-37.5%
5 unit	24.5%	427	343	295	355	330	15.1%
<b>Building Permits</b>	<b>6.8%</b>	<b>2217</b>	2075	2163	2152	2153	3.8%
<b>Single-unit</b>	<b>2.4%</b>	<b>1685</b>	1645	1724	1685	1701	3.1%
2-4 unit	<b>28.4%</b>	<b>104</b>	81	81	89	87	23.8%
5 unit	<b>22.6%</b>	<b>428</b>	349	358	378	365	2.6%

Source: U.S. Census Bureau

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