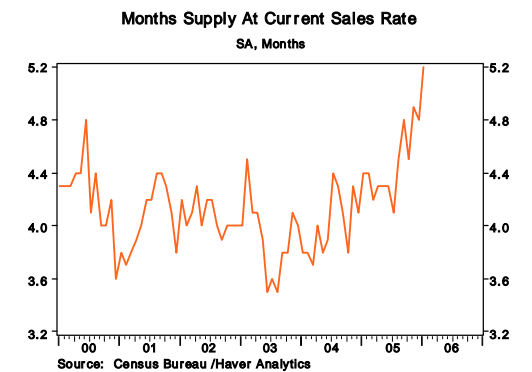
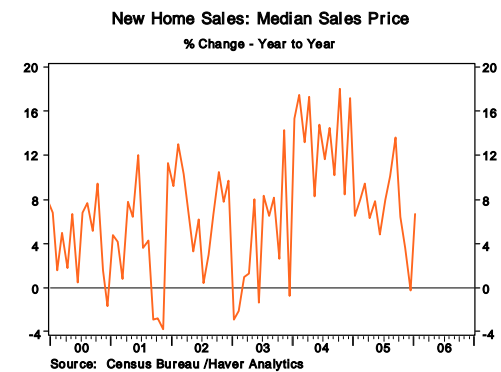
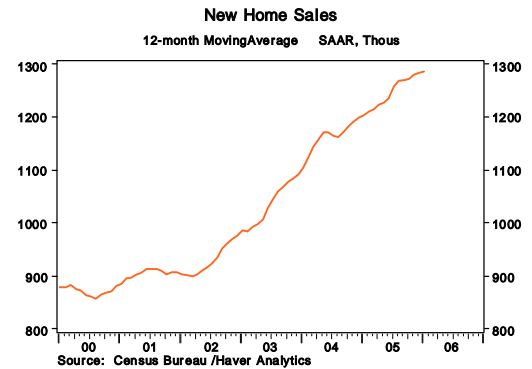
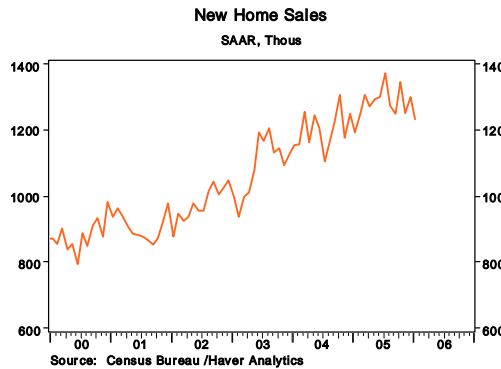


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JANUARY NEW HOME SALES

- New home sales fell 5.0% in January to 1.233 million units at an annual rate. Sales were upwardly revised to 1.298 million units in December (originally 1.269 million). Sales are up 3.3% in the past year.
- The median price of a new home rose a non-seasonally adjusted 4.0% in January, and is up 6.7% in the past year.
- At the current sales pace, the supply of new homes jumped to 5.2 months in January from 4.8 months in December. This is the highest level since 1996. However, from 1970-2000 the inventory of new homes on the market averaged 6.4 months, suggesting that by historical standards, supply remains tight.



Implications: New home sales unexpectedly declined 5.0% in January to 1.233 million units at an annual rate – the lowest level in the past 12 months. This contradicts housing start data which jumped 14.5% in January to a 32-year high level. It is not unusual for the month-to-month changes in these two housing measures to diverge. When this occurs, it is best to look at the long term trend to gauge the strength and the momentum in the housing market. The 12-month moving average of new home sales rose to an all-time high in January, while the 12-month moving average of housing starts increased to a 33-year high. Regardless of the metric, the trend in housing market activity remains robust. While we continue to forecast a moderation in housing activity due to rising interest rates, we do not expect a dramatic collapse. Our forecast calls for new home sales to stay between 1.2 million - 1.30 million over the next 12 months as capital is shifted from housing into other sectors of the economy.

New Home Sales <i>all data seasonally adjusted, thous.</i>	Jan-06		Dec-05	Nov-05	3-mo <i>moving avg</i>	6-mo <i>moving avg</i>	Yr over yr <i>% ch.</i>
	% Ch	Level					
New Single Family Homes Sales	-5.0%	1233	1298	1251	1261	1275	3.3
Northeast	-14.9%	57	67	87	70	72	-6.6
Midwest	-10.8%	199	223	184	202	200	7.0
South	-10.3%	602	671	663	645	650	-2.3
West	11.3%	375	337	317	343	353	13.3
Months Supply at current sales rate	8.3%	5.2	4.8	4.9	5.0	4.8	18.2
Median Sales Price (\$, NSA)	4.0%	238,100	229,000	232,600	233,233	237,350	6.7
Average Sales Price (\$, NSA)	3.5%	291,600	281,700	288,600	287,300	291,683	3.0

Source: U.S. Census Bureau

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