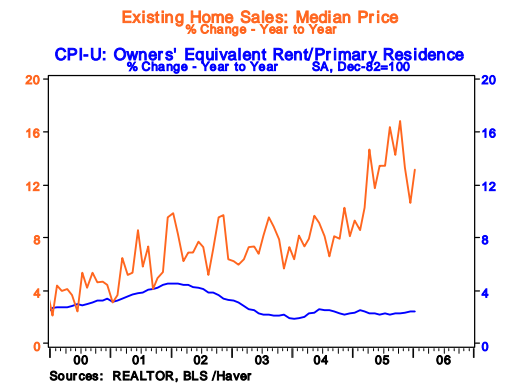
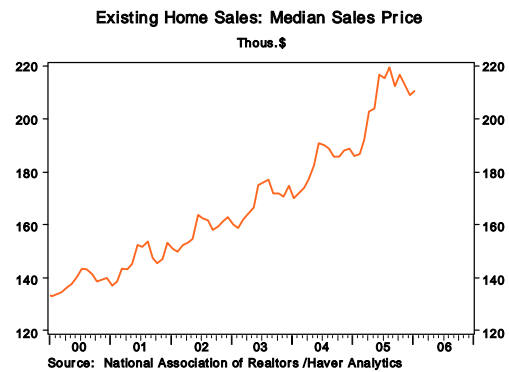
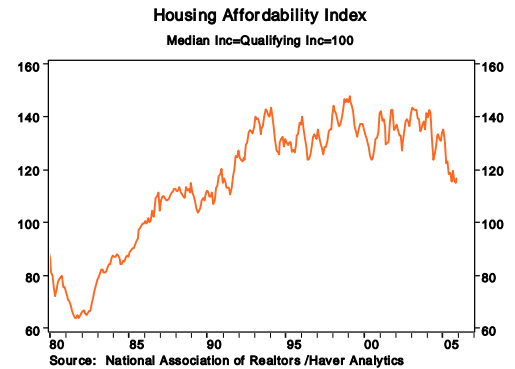
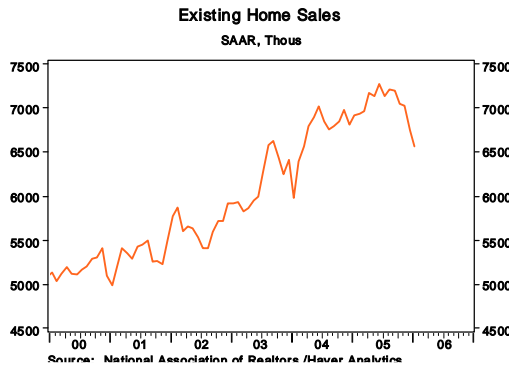


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## JANUARY EXISTING HOME SALES

- Existing home sales fell 2.8% in January to 6.560 million units at an annual rate. However, December data was upwardly revised by 2.3%.
- The median sales price of an existing home remained at a non-seasonally adjusted \$211,000 in January. This is 11.6% higher than a year ago. As the chart nearby shows, this is in sharp contrast to the CPI, which shows housing costs (23.2% of overall CPI) rising just 2.5% in the past year. We believe that the CPI significantly understates actual inflation because it understates housing costs.



**Implications:** The drop in existing home sales during January, when combined with anecdotal evidence and a drop in new home sales, suggests that a slowdown (or at least a leveling off) in housing activity is upon us. This cooling in the housing market, as interest rates rise and affordability indices fall, is neither surprising nor overly worrisome. Even with the January's decline, the 12-month moving average of existing home sales is above the 7 million mark, and currently 35.7% above total sales in 2000. Moreover, housing prices remain buoyant, with the median price of an existing home 11.6% higher than a year ago. As interest rates continue to rise, existing home sales will remain weak as price appreciation pulls back to something in the 5% range. Nonetheless, continued gains in employment and incomes, along with demographic trends, will prevent a dramatic decline or a bursting bubble that is any threat to the overall economy.

Existing Home Sales <i>all data seasonally adjusted unless noted, thous.</i>	Jan-06		Dec-05	Nov-05	3-month moving avg.	6-month moving avg.	Yr over yr % ch.
	% Ch.	level					
<b>Existing Single Family Home Sales</b>	-2.8%	<b>6560</b>	6750	7030	6655	6967	-5.2
<b>Northeast</b>	-10.0%	<b>990</b>	1100	1110	1045	1120	-13.2
<b>Midwest</b>	-7.7%	<b>1440</b>	1560	1570	1500	1562	-3.4
<b>South</b>	2.6%	<b>2750</b>	2680	2750	2715	2732	1.9
<b>West</b>	-3.5%	<b>1370</b>	1420	1600	1395	1557	-14.4
<b>Median Sales Price (NSA)</b>	0.0%	<b>211.0</b>	211.0	215.0	211.0	214.7	11.6

Source: Nat'l Association of Realtors

*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*