

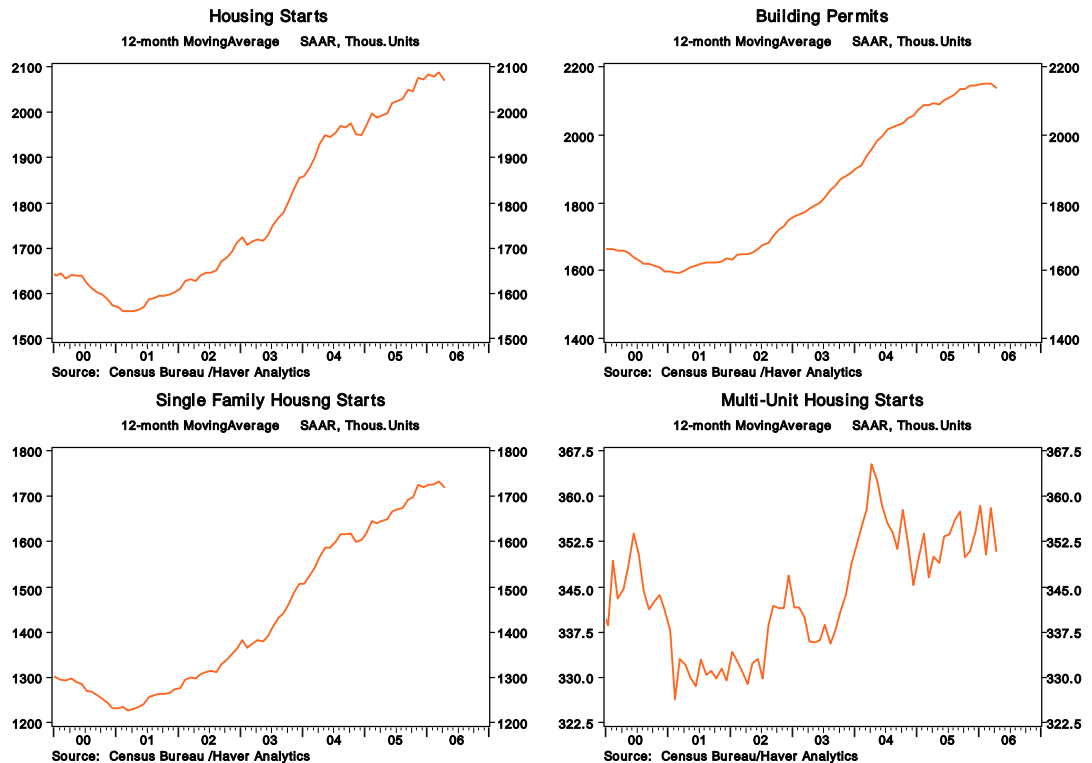
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## APRIL HOUSING STARTS

- Housing starts fell 7.4% in April to 1.849 million units at an annual rate. This is the lowest level since November 2004. Single family starts declined 5.6% and multi-unit starts slid 15.1%.
- New building permits declined 5.4% in April to an annualized 1.984 million units. This is the first month that building permits have been below the two million mark in over two years.
- Housing completions fell 6.6% April to 2.077 million units after reaching a record high of 2.223 million units in March.

**Implications:** Despite continuing declines in housing starts, housing activity remains

at historically robust levels. April's 1.849 million starts are 7.4% above the 2001-2003 average of 1.722 million starts per year. Building permits are 12.9% higher in April than their 2001-2003 average of 1.758 million. Clearly, the housing market is showing signs of weakness. Whether this slowdown is a sign of excessive Fed tightening or just a normal correction in a market that was somewhat overheated because of abnormally low interest rates, is a major question facing investors and analysts. In our opinion, the slide in housing activity is not a sign of excessive Fed tightening. Interest rates today are still below levels of the late 1990s, while employment, wage growth, consumer spending, and business investment remain strong. While the pull-back in housing will be a mild drag on GDP throughout the rest of the year, resources that would have been spent on housing will be shifted into other sectors of the economy. As a result, we continue to forecast real GDP to growth at 4.0% in 2006.



Housing Starts SAAR, thousands	Monthly % Ch.	Apr-06 Level	Mar-06 Level	Feb-06 Level	3-mth moving avg	6-mth moving avg	Yr over Yr % Ch.
<b>Housing Starts</b>	<b>-7.4%</b>	<b>1849</b>	1996	2132	1992	2063	-11.1%
<b>Northeast</b>	<b>9.1%</b>	<b>191</b>	175	186	184	193	0.5%
<b>Midwest</b>	<b>16.3%</b>	<b>349</b>	300	326	325	337	4.2%
<b>South</b>	<b>-16.0%</b>	<b>863</b>	1027	1038	976	1027	-17.7%
<b>West</b>	<b>-9.7%</b>	<b>446</b>	494	582	507	505	-11.7%
<b>Single-unit</b>	<b>-5.6%</b>	<b>1535</b>	1626	1812	1658	1703	-8.6%
<b>Multi-unit</b>	<b>-15.1%</b>	<b>314</b>	370	320	335	360	-21.3%
<b>2-4 unit</b>	<b>40.5%</b>	<b>52</b>	37	35	41	37	8.3%
<b>5 unit</b>	<b>-21.3%</b>	<b>262</b>	333	285	293	323	-25.4%
<b>Building Permits</b>	<b>-5.4%</b>	<b>1984</b>	2097	2156	2079	2117	-8.0%
<b>Single-unit</b>	<b>-4.0%</b>	<b>1502</b>	1565	1631	1566	1615	-9.2%
<b>2-4 unit</b>	<b>-15.5%</b>	<b>71</b>	84	89	81	85	-4.1%
<b>5 unit</b>	<b>-8.3%</b>	<b>411</b>	448	436	432	416	-4.0%

Source: U.S. Census Bureau

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