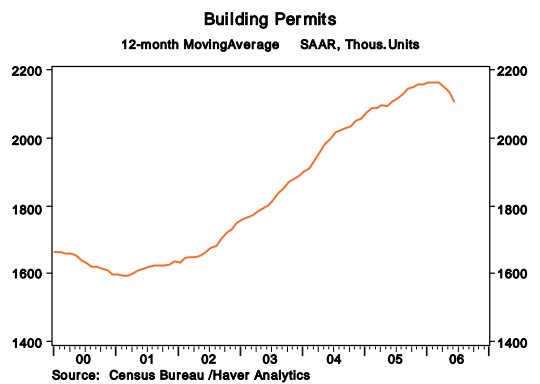
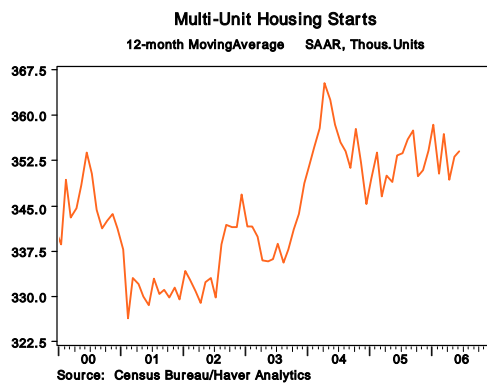
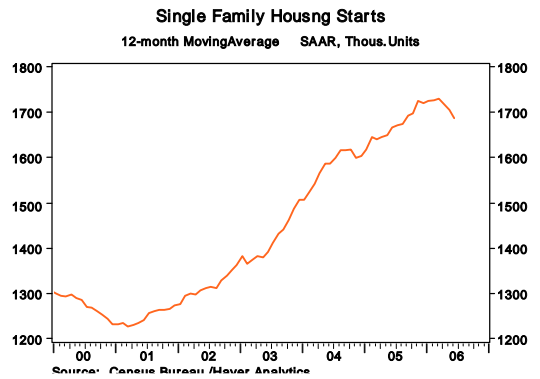
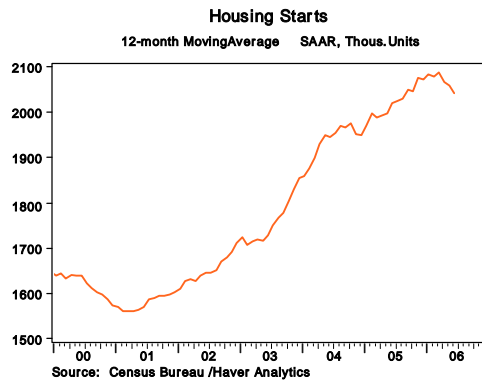


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JUNE HOUSING STARTS

- Housing starts fell 5.3% in June to 1.850 million units at an annual rate. Single family starts declined 6.5% while multi-unit starts rose 0.3%.
- New building permits declined 4.3% in June to an annualized 1.862 million units – the lowest level in over three years.
- Housing completions jumped 6.4% to 2.017 million units in June.

Implications: Despite continuing declines in housing starts and permits, housing activity remains at historically robust levels. June's 1.850 million starts are 7.4% above the 2001-2003 average of 1.722 million starts per year. Building permits are 5.9% higher in June than their 2001-



Clearly, the housing market is showing signs of weakness. However, this slowdown appears to be an orderly correction to a housing market driven higher in recent years by absurdly low, 1%, interest rates. While rates have climbed in recent years, the average conventional 30-year mortgage rate of 6.7% in June remains well below the 1995-99 average of 7.6%. Moreover, 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 to other sectors of the economy. As a result, we continue to forecast real GDP to grow between 3.5%-4.0% in the second half of this year.

Housing Starts SAAR, thousands	Monthly % Ch.	Jun-06 Level	May-06 Level	Apr-06 Level	3-mth moving avg	6-mth moving avg	Yr over Yr % Ch.
Housing Starts	-5.3%	1850	1953	1832	1878	2001	-11.0%
Northeast	-11.5%	170	192	178	180	189	-12.8%
Midwest	3.0%	309	300	338	316	323	-9.6%
South	-4.0%	911	949	881	914	990	-12.8%
West	-10.2%	460	512	435	469	500	-7.3%
Single-unit	-6.5%	1486	1590	1524	1533	1640	-13.8%
Multi-unit	0.3%	364	363	308	345	361	2.8%
2-4 unit	13.5%	194	171	130	165	172	22.0%
5 unit	-11.5%	170	192	178	180	189	-12.8%
Building Permits	-4.3%	1862	1946	1973	1927	2035	-14.9%
Single-unit	-6.3%	1395	1488	1497	1460	1537	-17.5%
2-4 unit	-16.7%	70	84	72	75	83	-18.6%
5 unit	6.1%	173	163	186	174	191	-19.2%

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.