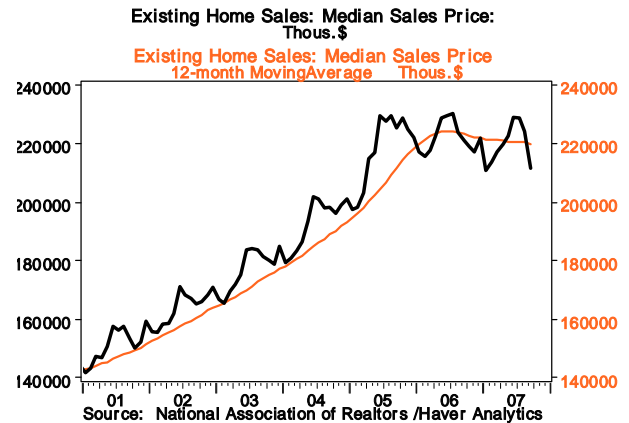
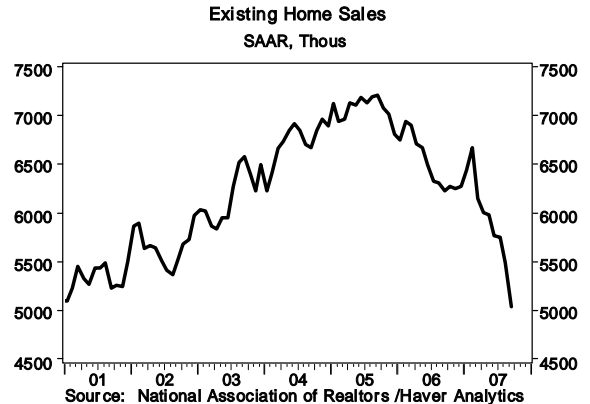


SEPTEMBER EXISTING HOME SALES

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- Existing home sales declined 8.0% in September to an annual rate of 5.04 million, well below the consensus expected level of 5.25 million.
- Sales of existing homes declined in every major region in September, as they also did in August. By type of home, sales were slower for both single-family homes and condos/coops.
- The median price of an existing home fell to \$211,700 in September (not seasonally adjusted) and is down 4.2% versus a year ago. The median price of single-family homes is down 4.9% versus last year, the largest drop on record (going back to the late 1960s).
- The months' supply of existing homes (how many months it takes to clear the inventory of unsold homes at the current sales rate) increased to 10.5 months. The months' supply of single-family homes rose to 10.2 months.



Implications: Today's numbers on existing home sales are ugly. For the past two months the decline in existing home sales has occurred in every major region of the country and nationwide sales are now the lowest in about nine years. It would take 10.2 months at the current sales rate to clear the inventory of single-family existing homes on the market today – the highest in about 20 years. Given this high level of inventory, prices have been dropping, with the median price of an existing single-family home down 4.9%, a record 1-year decline. The question is whether all of this is due to some fundamental problem with the economy or if it is industry specific. We believe the latter. Because of extremely low interest rates between 2002 and 2005, and unbelievably lax lending standards, housing activity soared above anything justified by the underlying fundamentals of demographics, jobs and incomes. For this, the housing market must pay a price and it may undershoot in the months ahead, pushing sales down to levels not seen since the mid-1990s during more normal times. One offset to today's weak data is the fact that existing home sales are counted at closing, so September sales were for contracts signed in July/August – at the height of the credit crisis. Tomorrow's data on new home sales will reflect contracts signed in September and will be a more reliable indicator of current activity.

Existing Home Sales <i>Seasonally Adjusted Unless Noted, Levels in Thous.</i>	Sep-07		Aug-07	Jul-07	3-month moving avg.	6-month moving avg.	Yr to Yr % Change
	% Ch.	level					
Existing Home Sales	-8.0%	5040	5480	5750	5423	5670	-19.1
Northeast	-10.0%	900	1000	1020	973	1010	-13.5
Midwest	-7.0%	1190	1280	1350	1273	1335	-16.2
South	-6.0%	2050	2180	2260	2163	2238	-18.7
West	-9.9%	910	1010	1120	1013	1085	-27.8
Median Sales Price (\$, NSA)	-5.7%	211700	224400	228700	221600	222750	-4.2

Source: National Association of Realtors

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