

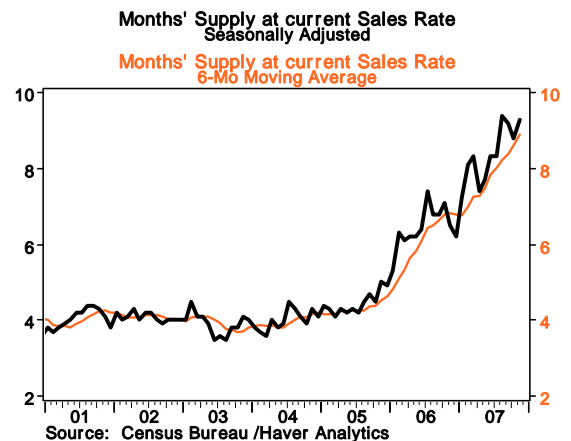
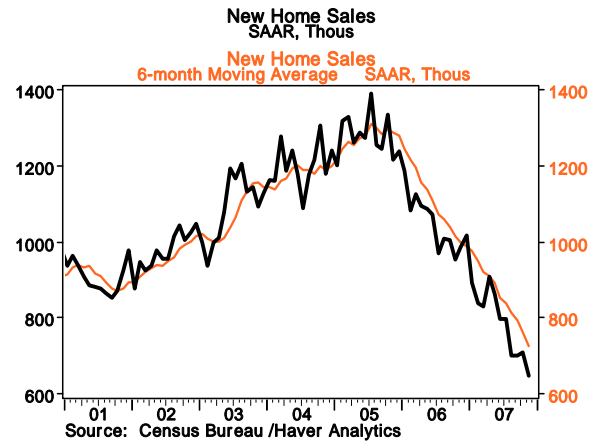
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## NOVEMBER NEW HOME SALES

- New single-family homes were sold at an annual rate of 647,000 in November versus a consensus expected 717,000. Sales are down 34.4% versus a year ago and down 53.4% versus the peak in July 2005. The pace of sales is the slowest since 1995.
- By region, sales declined in the Midwest, South, and Northeast and increased slightly in the West.
- At the current sales pace, the supply of unsold new homes rose to 9.3 months in November from 8.8 months in October. All of the increase in the months' supply was due to slower sales. The actual inventory of new homes fell to 509,000, the lowest in two years.
- The median price of new homes sold was \$239,100 in November, down 0.4% versus a year ago. The average price of new homes sold declined to \$293,300, up 0.5% versus last year.

**Implications:** This morning's data was a microcosm of the economy: home sales plummeted but a measure of manufacturing improved, showing the economy is fighting its way through the headwinds from housing. It is hard to imagine a worse report on new home sales, which dropped 9% in November and are now down to less than half the peak in 2005. However, builders are finally doing what they must do to bring the housing market back into equilibrium. Relative to home sales, the pace of housing starts in the past two months has been the lowest since 1981-82.

This will eventually result in a decline in the number of completed homes for sale. Meanwhile, excess inventory will continue to put downward pressure on home prices. We expect the Case-Shiller index of nationwide home prices to fall about 10% over the next year, on top of the 6.1% decline in the past year. In other news this morning the Chicago Purchasing Managers index increased to 56.6 in December versus 52.9 in November and a consensus expected drop to 51.7. The surge in the Chicago PMI, a measure of manufacturing activity in the Chicago region, was attributable to a rise in new orders and a backlog of orders.



New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Nov-07		Oct-07	Sep-07	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
<b>New Single Family Homes Sales</b>	-9.0%	647	711	699	686	725	-34.4
<b>Northeast</b>	-19.3%	46	57	62	55	56	-28.1
<b>Midwest</b>	-27.6%	92	127	104	108	110	-38.7
<b>South</b>	-6.4%	352	376	356	361	387	-34.3
<b>West</b>	4.0%	157	151	177	162	172	-33.8
<b>Median Sales Price (\$, NSA)</b>	4.2%	239,100	229,500	237,700	235,433	237,417	-0.4
		Nov-07	Oct-07	Sep-07	3-mo Avg	6-mo Avg	12-mo Avg
<b>Months' Supply at Current Sales Rate (Levels)</b>		9.3	8.8	9.2	9.1	8.9	8.2

Source: Bureau of the Census

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