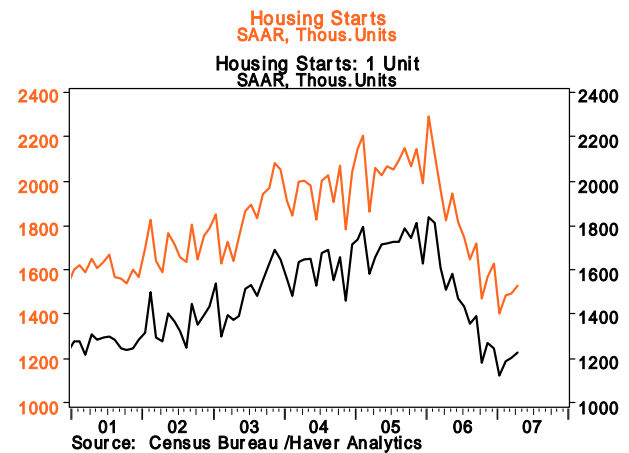


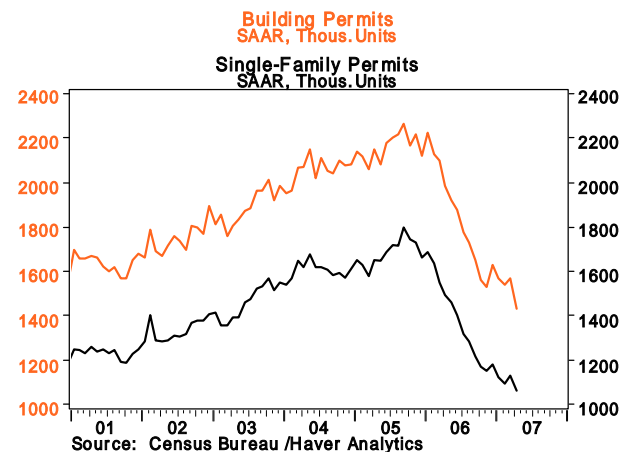
## APRIL HOUSING STARTS

**Chief Economist – Brian S. Wesbury**  
**Senior Economist – Robert Stein, CFA**  
**Economic Research Analyst – Trevor D. Scott**

- Housing starts increased 2.5% in April to 1.528 million units at an annual rate. The consensus had expected a slower 1.480 million rate. Starts are down 16.1% versus a year ago.
- Nationwide, single-family starts rose 1.6% and multiple-unit starts increased 6.3%. By region, the rise in starts was due to activity in the Northeast and West. Starts were essentially unchanged in the South and down in the Midwest.
- New building permits declined 8.9% in April to 1.429 million units at an annual rate, much slower than the consensus expected 1.520 million rate. Permits declined for both single-family and multiple-unit homes and are down 28.1% versus April 2006.



**Implications:** Today's report on housing was mixed. First the good news. Starts hit their highest level in four months and both the three- and six-month moving averages went up for the first time in more than a year. Even if starts fall at a 20% annual rate in May and June, the level of starts in the second quarter will be up more than 10% at an annual rate versus Q1 (although homes under construction will still be declining). This increases our confidence that the drag of housing on GDP growth will be much smaller in Q2 than the average of -1 percentage point in the previous year. The bad news is that the decline in building permits in April was the largest single-month drop since 1990 and the level of building permits is the lowest since 1997. This suggests that although housing has become a smaller drag on GDP growth it will remain a drag for the next couple of quarters.



Housing Starts SAAR, thousands	Monthly % Ch.	Apr-07 Level	Mar-07 Level	Feb-07 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
<b>Housing Starts</b>	<b>2.5%</b>	1528	1491	1487	1502	1517	-16.1%
<b>Northeast</b>	<b>31.3%</b>	172	131	134	146	159	-4.4%
<b>Midwest</b>	<b>-14.2%</b>	194	226	163	194	204	-42.6%
<b>South</b>	<b>-0.1%</b>	763	764	798	775	777	-13.0%
<b>West</b>	<b>7.8%</b>	399	370	392	387	378	-6.3%
<b>Single-Unit Starts</b>	<b>1.6%</b>	1225	1206	1188	1206	1209	-18.9%
<b>Multi-Unit Starts</b>	<b>6.3%</b>	303	285	299	296	308	-2.6%
<b>Building Permits</b>	<b>-8.9%</b>	1429	1569	1541	1513	1543	-28.1%
<b>Single-Unit Permits</b>	<b>-6.0%</b>	1063	1131	1099	1098	1126	-28.8%

Source: U.S. Census Bureau

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