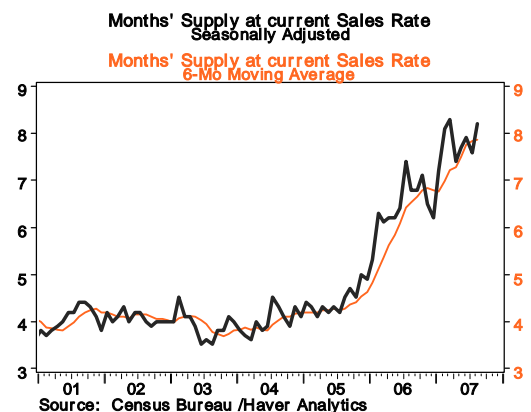
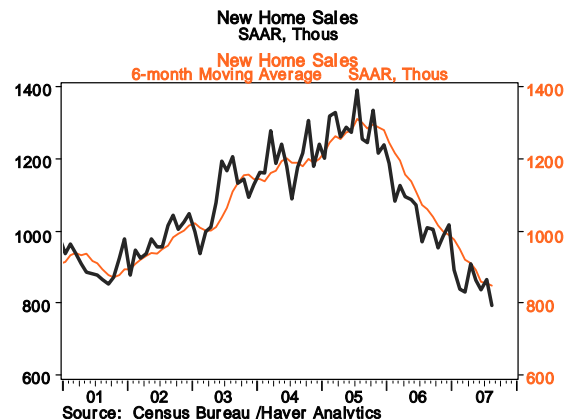


## AUGUST NEW HOME SALES

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- New single-family home sales declined 8.3% in August to an annual rate of 795,000, the lowest since June 2000. The consensus expected an annual rate of 825,000.
- By region, sales dropped in the South and West but increased in the Northeast and Midwest.
- At the current sales pace, the supply of unsold new homes increased to 8.2 months. All of the increase in the months' supply was due to a drop in the rate of sales. The number of new homes for sale dropped slightly in August and is down 6.9% versus last year.
- The median price of new homes sold was \$225,700 in August, down 7.5% versus a year ago. The average price of new homes sold declined to \$292,000, down 8.0% versus last year.



**Implications:** You have to look very deeply into today's dark cloud of a report on new home sales to find any sliver of a silver lining. Sales of new homes dropped steeply in August and today's report takes on added importance as it reflects contracts on homes signed in August, when mortgage lending standards were tightening rapidly. It will take longer for reports on *existing* home sales to show the impact of tighter lending standards as those sales depend on closings, which represent contracts of an earlier vintage.

The price data was also weak, with the median home price down 7.5% versus last year, the largest year-to-year drop since 1970. Adjusting for general consumer price inflation still shows a year-to-year drop in home prices larger than any since 1991. The silver lining is that home builders are working off inventories, but those inventories are still so high that downward pressure on home building and prices should continue into 2008. Once these inventories are worked off, long term positive trends in housing will reassert themselves, including low tax rates, worker mobility, favorable demographics, and more families with vacation homes.

New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Aug-07		Jul-07	Jun-07	3-mo	6-mo	Yr to Yr
	% Ch	Level			moving avg	moving avg	% Change
<b>New Single Family Homes Sales</b>	-8.3%	795	867	835	832	849	-21.2
<b>Northeast</b>	42.3%	74	52	71	66	74	-14.0
<b>Midwest</b>	20.5%	135	112	115	121	125	-11.2
<b>South</b>	-14.7%	407	477	469	451	451	-27.1
<b>West</b>	-20.8%	179	226	180	195	199	-16.0
<b>Median Sales Price (\$, NSA)</b>	-8.3%	225,700	246,200	233,200	235,033	242,533	-7.5
		<b>Aug-07</b>	<b>Jul-07</b>	<b>Jun-07</b>	<b>3-mo Avg</b>	<b>6-mo Avg</b>	<b>12-mo Avg</b>
<b>Months' Supply at Current Sales Rate (Levels)</b>		8.2	7.6	7.9	7.9	7.9	7.4

Source: Bureau of the Census

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