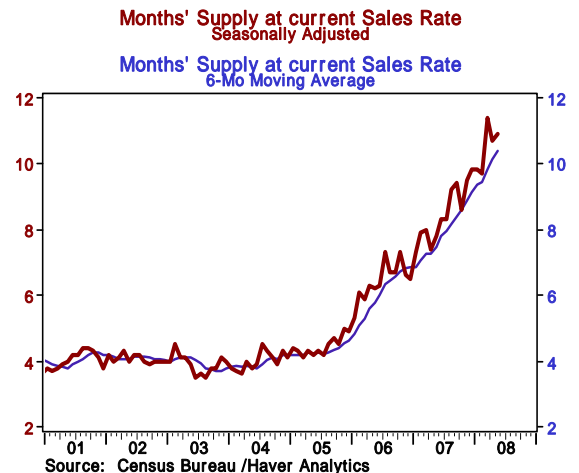
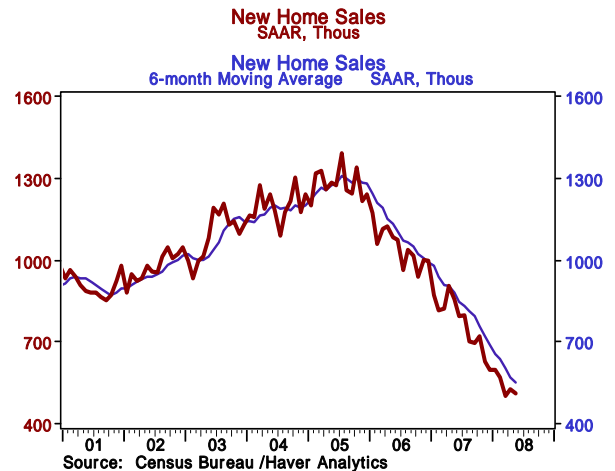


MAY NEW HOME SALES

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- New single-family homes were sold at an annual rate of 512,000 in May, down 2.5% from last month but matching consensus expectations. Sales are down 40.3% versus a year ago and 63.1% from the peak in July 2005.
- Sales declined in the Northeast and West but increased in the Midwest and South.
- At the current sales pace, the supply of unsold new homes rose to 10.9 months in May. All the increase in the months' supply was due to the slower pace of sales. The inventory of new homes fell to 453,000, down 20.8% from the peak in mid-2006.
- The median price of new homes sold was \$231,000 in May, down 5.7% versus a year ago. The average price of new homes sold was \$311,300, up 0.5% versus last year.



Implications: Although there is more pain ahead in the housing sector, today's report on new home sales shows the healing process is well underway. Although the pace of sales declined, the drop was in-line with expectations and above the March pace for the second month in a row. In other words, a bottom may be forming for sales. Meanwhile, total inventories are down 16.9% in the past year. More importantly, the number of unsold *completed* new homes – a key factor behind future construction and price changes – peaked in January at 199,000 and is now down to 182,000. The 17,000 decline in only four months is the fastest reduction in the past twenty years. In other news on housing, yesterday's report showed that the Case-Shiller home price index is down 15.3% in April versus a year ago, a smaller decline than the consensus expected. (This index probably overestimates the drop in home prices as it focuses on price changes in major metropolitan areas.) Another report on home purchase prices from the Office of Federal Housing Enterprise Oversight (the regulator for Fannie Mae and Freddie Mac) showed values are down 4.6% versus last year. (This index probably understates home price declines as it only accounts for homes financed by "conforming" mortgages.)

New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	May-08		Apr-08	Mar-08	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
New Single Family Homes Sales	-2.5%	512	525	501	513	551	-40.3
Northeast	-7.9%	35	38	26	33	42	-57.8
Midwest	5.1%	82	78	65	75	76	-42.3
South	0.4%	281	280	288	283	303	-35.0
West	-11.6%	114	129	122	122	132	-43.0
Median Sales Price (\$, NSA)	-5.1%	231,000	243,500	227,800	234,100	234,617	-5.7
		May-08	Apr-08	Mar-08	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		10.9	10.7	11.4	11.0	10.4	9.6

Source: Bureau of the Census

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