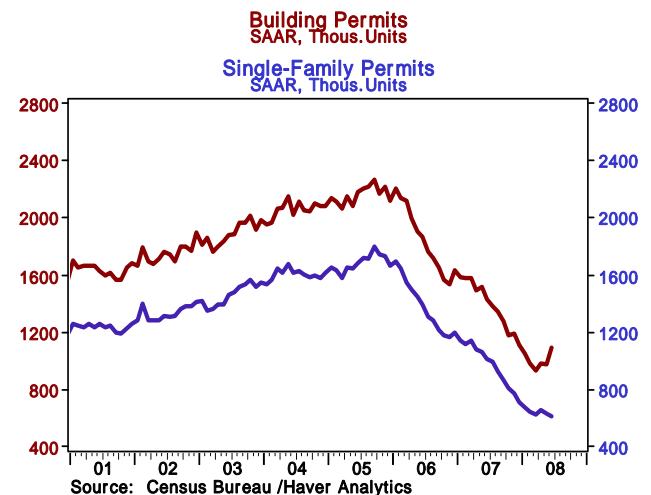
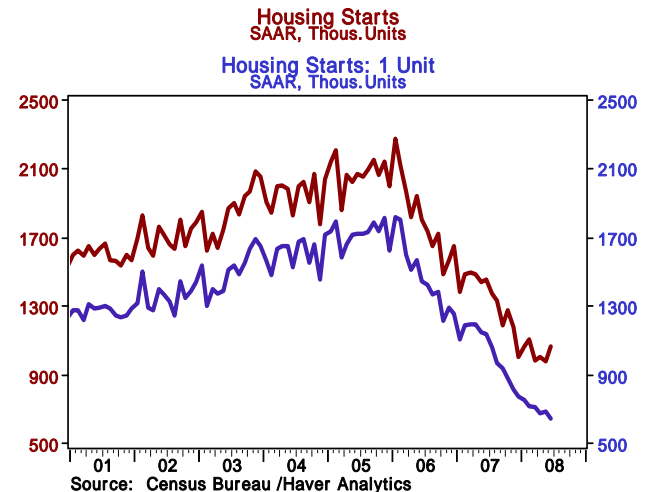


JUNE HOUSING STARTS

Chief Economist – Brian S. Wesbury
Senior Economist – Robert Stein, CFA

- Housing starts increased 9.1% in June to 1.066 million units at an annual rate. The consensus had expected a 960,000 rate. Starts are down 26.9% versus a year ago and off 53.1% from the peak in January 2006.
- All of the increase in starts in June was due to multiple-unit starts, which increased 42.5%. Single-family starts fell 5.3% in June and are down 43.0% versus last year.
- Starts increased very rapidly in the Northeast and slightly in the South. Starts declined in the Midwest and West.
- New building permits rose 11.6% in June to 1.091 million units at an annual rate, well above consensus expectations of a 965,000 rate. Single-family permits declined 3.5% in June, are down 39.7% versus last year and 65.9% since the peak in September 2005.



Implications: The spike in starts in June is not the long-awaited end of the housing bust. All of the increase was due to a rise in multiple-units in the Northeast. New York City implemented a new construction code on July 1 and builders could escape the new tougher rules by starting construction in June. Single-family starts and permits both declined in June and are now at the second lowest monthly level since 1982. We expect further declines in the number of homes under construction through the end of 2008, but housing starts are likely very close to bottom. Meanwhile, the level of home building is now low enough to consistently bring down inventories – a necessary step toward a sustainable recovery. With housing starts near bottom on a nationwide basis, there are many communities where home building is already rebounding. That said, we continue to expect home prices to drop on a nationwide average basis through mid-2009, as the market continues to work off inventories. In other news this morning, initial claims for jobless benefits increased 18,000 to 366,000 last week. Continuing claims dropped 81,000 to 3.122 million. Both initial and continuing claims came in well below consensus expectations.

Housing Starts SAAR, thousands	Monthly % Ch.	Jun-08 Level	May-08 Level	Apr-08 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	9.1%	1066	977	1004	1016	1034	-26.9%
Northeast	102.6%	237	117	93	149	138	52.9%
Midwest	-10.5%	128	143	164	145	147	-45.3%
South	0.4%	499	497	504	500	521	-30.6%
West	-8.2%	202	220	243	222	229	-42.3%
Single-Unit Starts	-5.3%	647	683	681	670	699	-43.0%
Multi-Unit Starts	42.5%	419	294	323	345	335	30.1%
Building Permits	11.6%	1091	978	982	1017	1003	-23.9%
Single-Unit Permits	-3.5%	613	635	649	632	640	-39.7%

Source: U.S. Census Bureau

This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.