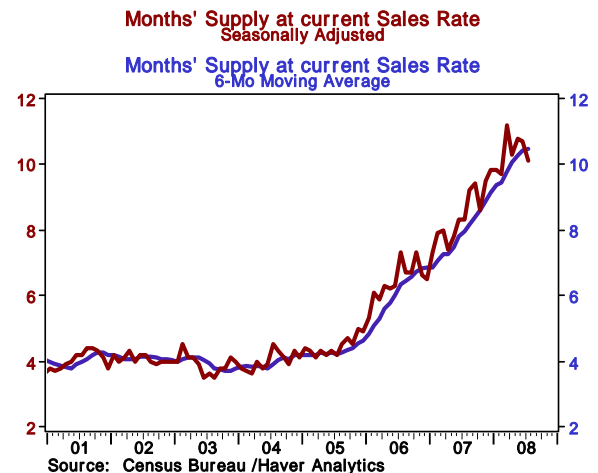
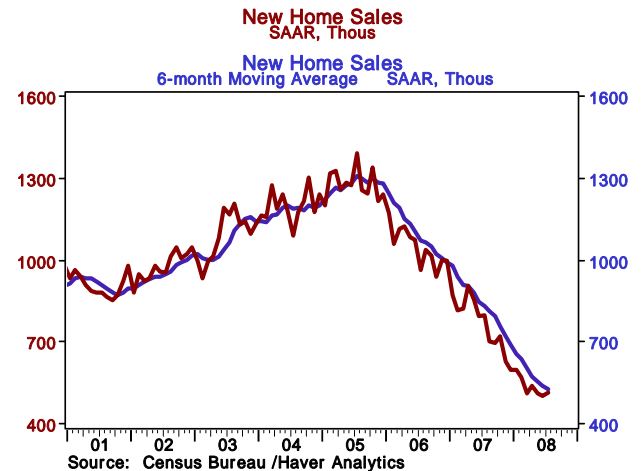


JULY NEW HOME SALES

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- New single-family homes were sold at an annual rate of 515,000 in July, slower than the consensus expected 525,000 pace. Although sales were up 2.4% versus last month, this was due to a downward revision for June. Sales are down 35.3% versus last year.
- Sales increased in the Northeast and West but declined in the Midwest and South.
- At the current sales pace, the supply of unsold new homes dropped to 10.1 months in July. Four months ago, the months' supply was at 11.2, the highest since 1981. The inventory of new homes fell to 416,000, down 27.0% from the peak in mid-2006.
- The median price of new homes sold was \$230,700 in July down 6.3% versus a year ago. The average price of new homes sold was \$294,600, down 4.1% versus last year.



Implications: The pace of new home sales appears to be forming a bottom, just like the pace of existing home sales (reported yesterday). In the past five months, the annual rate of sales has hovered between 503,000 and 542,000. While still a far cry from a full recovery in the housing sector, an end to declines in sales is a necessary first step toward health. Meanwhile, inventories of new homes continue to fall dramatically. Total new home inventory peaked at 570,000 in mid-2006 and is now down to 416,000. The number of unsold completed new homes – a key factor behind future construction and price changes – peaked in January 2008 at 199,000 and is now down to 169,000. The 30,000 decline in only six months is, by far, the fastest reduction in history (dating back to 1963). In other news this morning, national average home price declines are getting smaller. The Case-Shiller index is down 15.9% since last year, versus a consensus expected decline of 16.2%. The OFHEO index, which only follows homes financed with conforming mortgages, is down 4.8% in the past year, also a smaller decline than expected. Some metropolitan areas are starting to show strength, including Boston, Denver, Cleveland, and Dallas, where Case-Shiller prices are up at a 9.9%+ annual rate in the past three months.

New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Jul-08		Jun-08	May-08	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
New Single Family Homes Sales	2.4%	515	503	514	511	527	-35.3
Northeast	38.9%	50	36	33	40	38	4.2
Midwest	-8.2%	67	73	78	73	75	-36.2
South	-2.5%	276	283	290	283	292	-35.8
West	9.9%	122	111	113	115	123	-42.7
Median Sales Price (\$, NSA)	0.3%	230,700	230,100	229,800	230,200	235,267	-6.3
		Jul-08	Jun-08	May-08	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		10.1	10.7	10.8	10.5	10.5	9.9

Source: Bureau of the Census

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