

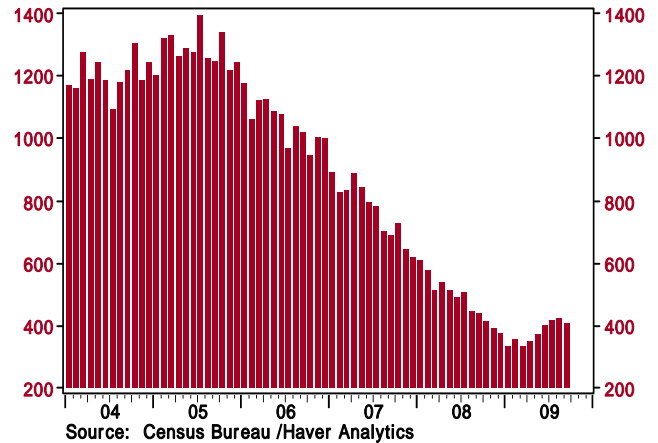
SEPTEMBER NEW HOME SALES

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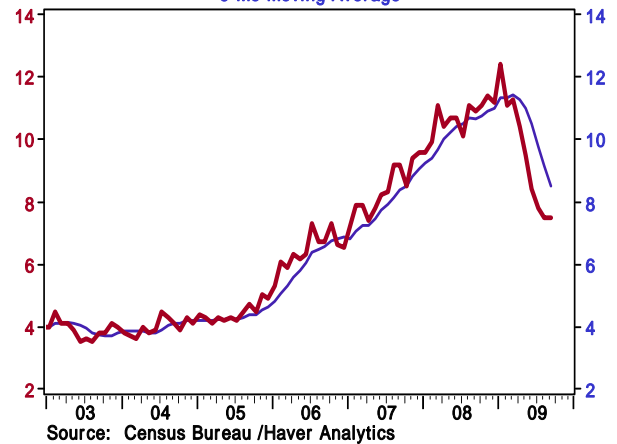
- New single-family home sales declined 3.6% in September to a 402,000 annual rate, lower than the consensus expected pace of 440,000. Sales are up 22.2% versus the January low.
- Sales were up in the Midwest, unchanged in the Northeast, but down in the South and West.
- At the current sales pace, the supply of unsold new homes was unchanged at 7.5 months in September. A slower pace of sales was offset by a decline in the inventory of unsold new homes. Inventories fell to 251,000 in September, down 56.1% from the peak in mid-2006, and the lowest since late 1982.
- The median price of new homes sold was \$204,800 in September, down 9.1% versus a year ago. The average price of new homes sold was \$282,600, down 1.6% versus last year.

Implications: After increasing for five months in a row, new home sales declined in September, coming in below consensus expectations. More aggressive pricing by sellers – a bullish sign – may have played a role in the slower pace of sales. The *median* price of new homes increased 2.5% in September, an unusually strong gain for this time of year. The *average* price of new homes increased 10.2%, the largest increase for any September on record, going back to 1975. We believe the pace of sales will renew its upward trend very soon, regardless of whether Congress renews the homebuyer tax credit, as the fundamentals in the housing market are much improved. Prices on a national average basis are back near fair value and interest rates remain low by historical standards. Given demographic trends, we anticipate that over the next few years the annual pace of new home sales will climb from 402,000 in September to roughly 950,000. In other recent housing news, yesterday’s Case-Shiller Home Price report showed prices in the 20 largest metropolitan areas around the country increased 1% in August, the third straight monthly increase (seasonally-adjusted). Some price weakness in areas with a large number of foreclosures may hit the market over the next several months. However, we believe most of the country will experience modest price increases in the year ahead. Supporting the case for price increases is the fact that home prices are up in the last few months not only in the US but also other countries hit by a housing bust, such as Spain, the UK, and Australia.

New 1-Family Houses Sold: United States
SAAR, Thous



Months' Supply at current Sales Rate
Seasonally Adjusted
Months' Supply at current Sales Rate
6-Mo Moving Average



New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Sep-09		Aug-09	Jul-09	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
New Single Family Homes Sales	-3.6%	402	417	413	411	391	-7.8
<i>Northeast</i>	0.0%	42	42	41	42	35	68.0
<i>Midwest</i>	34.0%	71	53	56	60	55	12.7
<i>South</i>	-10.0%	188	209	215	204	203	-23.6
<i>West</i>	-10.6%	101	113	101	105	99	-1.0
Median Sales Price (\$, NSA)	2.5%	204,800	199,900	215,600	206,767	212,750	-9.1
		Sep-09	Aug-09	Jul-09	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		7.5	7.5	7.8	7.6	8.5	10.0

Source: Bureau of the Census

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