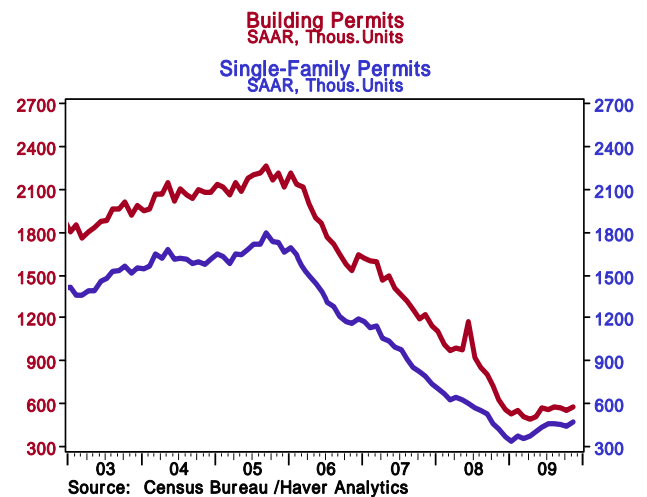
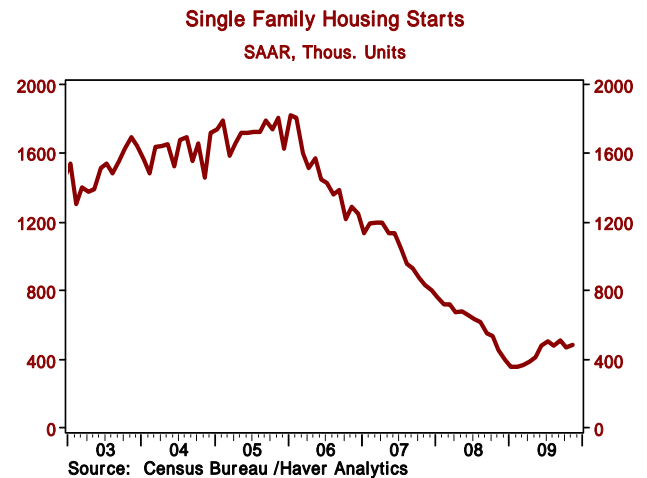


NOVEMBER HOUSING STARTS

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- Housing starts rebounded 8.9% in November to 574,000 units at an annual rate, exactly as the consensus expected.
- Single-family starts increased 2.1% in November and are 35.0% higher than the January/February low. Multi-unit starts, which are normally very volatile, rose 67.3% from last month's cycle low.
- Starts increased in every major region of the country.
- New building permits rose 6.0% in November to 584,000 units at an annual rate, above the consensus expected rate of 570,000 and the fastest pace in a year. Permits for single-family units increased 5.3%, to the fastest pace since September 2008.

Implications: Home building rebounded in November, ratifying our belief that the surprisingly sharp drop in October was mostly weather-related. This October was the wettest going back to at least 1921 and the second coldest since 1925. Multi-unit starts (apartment building) was the weakest component in October but the biggest gainer in November, leaping 67.3% in one month. Single-family starts also increased but remained in the 470,000 to 510,000 range of the past six months. Look for single-family starts to soon break out of this range to the upside. About 200,000 single-family starts per year are for homes where a buyer already owns the land, meaning no sale has to happen after the home is started. So, at the current pace of starts, builders only have to sell about 300,000 per year. Lately new homes have been selling at a 430,000 annual rate, meaning we are not starting enough homes to keep up with demand. Builders seem to understand this dynamic, as single-family building permits are at their highest level since the collapse of Lehman Brothers in September 2008. Overall home building increased in the third quarter of 2009 and we anticipate another increase in Q4 followed by more powerful gains in 2010-11. The V-shaped economic recovery is going to be stronger in housing than any other sector. In other news this morning, the current account deficit (a measure of the trade deficit that also includes income flows) widened by \$10 billion in the third quarter. The trade deficit in goods and services expanded by \$16 billion but was partially offset by a \$7 billion increase in the income surplus (meaning earnings on US-owned assets abroad increased by \$7 billion relative to earnings on foreign-owned assets in the US).



Housing Starts SAAR, thousands	Monthly % Ch.	Nov-09 Level	Oct-09 Level	Sep-09 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	8.9%	574	527	586	562	575	-12.4%
Northeast	16.4%	64	55	66	62	67	14.3%
Midwest	3.0%	104	101	104	103	106	-2.8%
South	12.3%	301	268	298	289	286	-15.2%
West	1.9%	105	103	118	109	118	-23.4%
Single-Unit Starts	2.1%	482	472	508	487	488	5.5%
Multi-Unit Starts	67.3%	92	55	78	75	87	-53.5%
Building Permits	6.0%	584	551	575	570	571	-7.3%
Single-Unit Permits	5.3%	473	449	452	458	456	12.1%

Source: U.S. Census Bureau

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