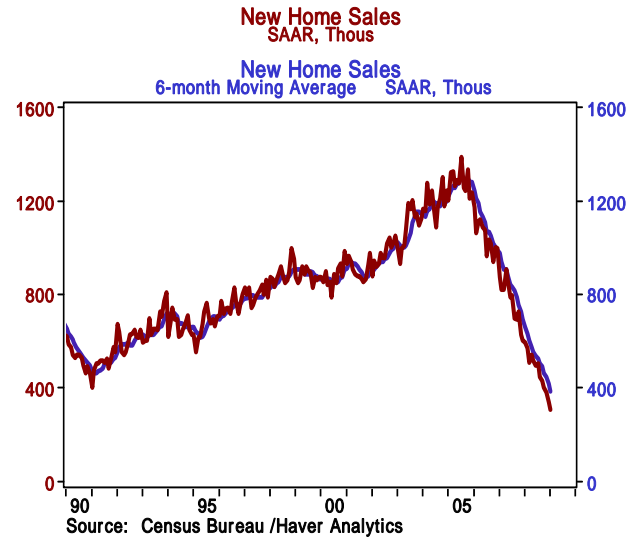


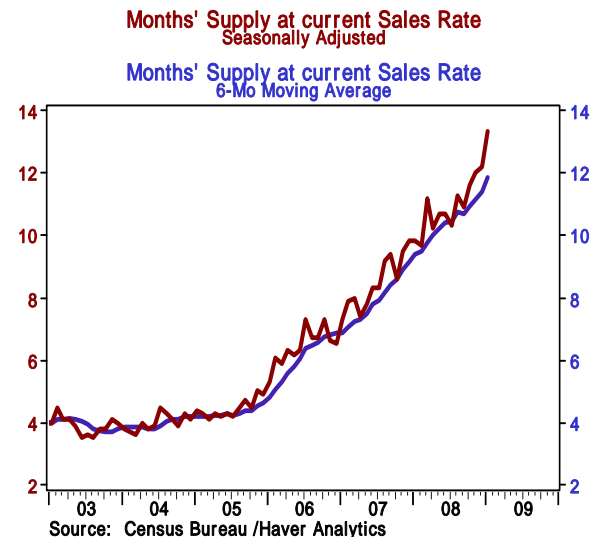
# JANUARY NEW HOME SALES

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- New single-family homes were sold at an annual rate of 309,000 in January, slower than the consensus expected 324,000 pace. Sales are down 48.2% versus a year ago and down 77.8% versus the peak in 2005.
- Sales were down substantially in the West (why buy new when foreclosed homes are dirt cheap?!), down in the Midwest and South, and up in the Northeast.
- At the current sales pace, the supply of unsold new homes increased to a record high 13.3 months in December. However, the rise in the month's supply was all due to the slower pace of sales. The inventory of unsold new homes fell to 341,000, down 40.2% from the peak in mid-2006, and the lowest since 2003.
- The median price of new homes sold was \$201,100 in December, down 13.5% versus a year ago. The average price of new homes sold was \$234,600, down 17.6% versus last year.



**Implications:** Slower home sales are not good news. But at the annualized January selling pace of 309,000, new single-family home sales are unsustainably low. One factor temporarily keeping sales down is a lack of clarity on federal incentives for home buyers. We expect the Obama Administration to clarify these policies over the next month. More importantly, even at this slow sales pace, inventories are continuing to decline, clearing the way for the inevitable rebound in home building that we think will start late this year. Home builders started single-family homes at a 347,000 annual rate in January. About 150,000 of these do not have to be sold because the homeowner already owns the land, leaving only about 200,000 that must be sold, which is below the recent 309,000 selling pace. The inventory of new homes for sale is already down to 341,000 in January, well below the record high of 570,000 in 2006 and even below the 355,000 average in the last 25 years. Expect further substantial declines in the months ahead. The one component of inventories that has not declined very much yet is the stockpile of *completed* new homes, which is the portion that does the best job of predicting near-term home building and price trends. That's why we are still forecasting a decline in residential construction through the fall and a drop in prices (on a national average basis) through year end.



New Home Sales	Jan-09		Dec-08	Nov-08	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
<i>All Data Seasonally Adjusted, Levels in Thousands</i>							
<b>New Single Family Homes Sales</b>	<b>-10.2%</b>	<b>309</b>	344	380	344	387	-48.2
<b>Northeast</b>	<b>12.5%</b>	<b>27</b>	24	39	30	30	-50.9
<b>Midwest</b>	<b>-5.6%</b>	<b>51</b>	54	54	53	60	-33.8
<b>South</b>	<b>-6.5%</b>	<b>172</b>	184	203	186	212	-45.9
<b>West</b>	<b>-28.0%</b>	<b>59</b>	82	84	75	84	-59.9
<b>Median Sales Price (\$, NSA)</b>	<b>-9.9%</b>	<b>201,100</b>	223,200	224,500	216,267	218,033	-13.5
		<b>Jan-09</b>	<b>Dec-08</b>	<b>Nov-08</b>	<b>3-mo Avg</b>	<b>6-mo Avg</b>	<b>12-mo Avg</b>
<b>Months' Supply at Current Sales Rate (Levels)</b>		<b>13.3</b>	12.2	12.0	12.5	11.9	11.2

Source: Bureau of the Census

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