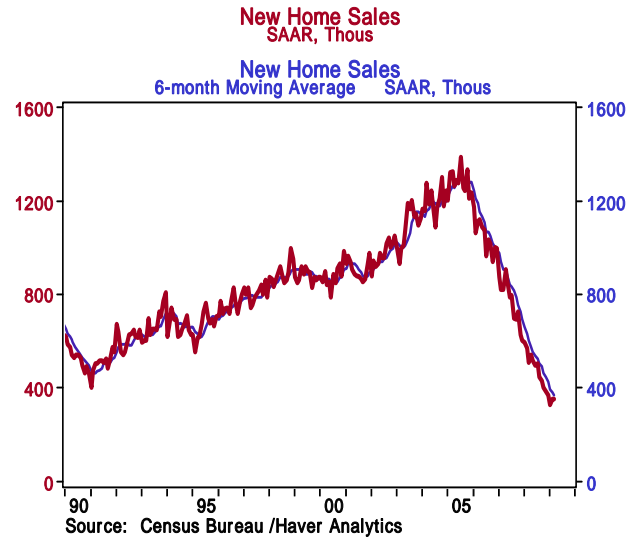


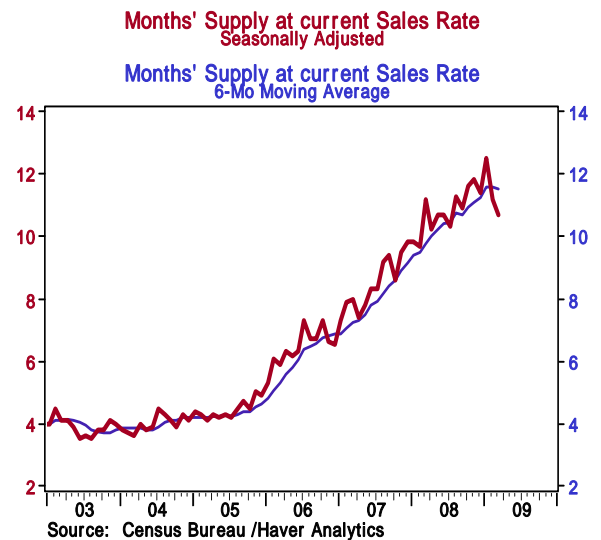
MARCH NEW HOME SALES

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- New single-family homes were sold at a 356,000 annual rate in March versus a consensus expected selling rate of 337,000. Sales are down 30.6% versus a year ago.
- Sales were up in the West, unchanged in the South, and down in the Northeast and Midwest.
- At the current sales pace, the supply of unsold new homes fell to 10.7 months in March from 11.2 in February. The decline in the month's supply was all due to a continued decline in the inventory of unsold new homes. Inventories fell to 308,000 in March, down 46.0% from the peak in mid-2006, and the lowest since 2002.
- The median price of new homes sold was \$201,400 in March, down 12.2% versus a year ago. The average price of new homes sold was \$258,000, down 10.3% versus last year.



Implications: New home sales were stronger than the consensus expected in March and are consistent with our view that both new and existing home sales hit bottom in the first quarter and are likely to rise over the next couple of years. Although some analysts may highlight the 0.6% decline in new home sales in March, the decline was due to a large upward revision in the pace of sales in February, not weakness in March. Inventories are also going in the right direction. The total inventory of unsold new homes fell 16,000 in March, to 308,000. This is well within the normal range, before the housing boom started in 1997, and down 46% from the peak in 2006. The reduction in inventories is going to continue. Recently, builders have been starting single-family homes at about a 360,000 annual rate, of which only about 210,000 need to be sold (future occupants already own the rest). This is well below the current rate of new home sales (356,000) and is consistent with our view that housing starts have also hit bottom. In the meantime, expect further downward pressure on home prices as builders reduce the still large inventory of *completed* new homes and as banks sell off foreclosed properties. However, most of this downward price pressure will be in five states: California, Florida, Arizona, Nevada, and Michigan. Other areas of the country are near or already at the bottom for home prices.



New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Mar-09		Feb-09	Jan-09	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
New Single Family Homes Sales	-0.6%	356	358	331	348	368	-30.6
Northeast	-32.1%	19	28	30	26	30	-32.1
Midwest	-7.8%	47	51	51	50	54	-32.9
South	0.0%	206	206	185	199	203	-29.7
West	15.1%	84	73	65	74	81	-31.1
Median Sales Price (\$, NSA)	-3.5%	201,400	208,700	209,600	206,567	214,017	-12.2
		Mar-09	Feb-09	Jan-09	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		10.7	11.2	12.5	11.5	11.5	11.1

Source: Bureau of the Census

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