

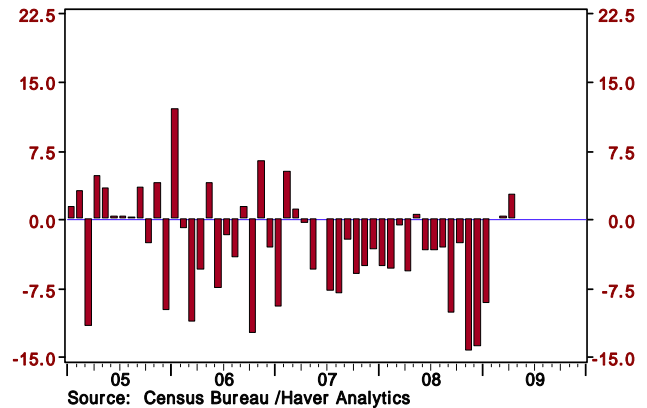
APRIL HOUSING STARTS

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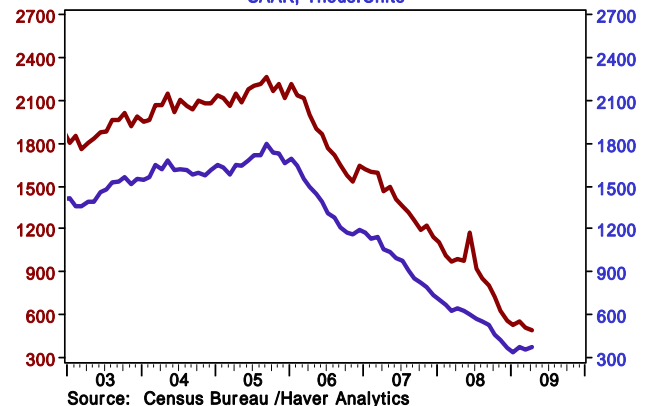
- Housing starts fell 12.8% in April to 458,000 units at an annual rate, well below the consensus expected 520,000 rate. Starts are down 54.2% versus a year ago.
- The entire drop in starts in April was due to multiple-family units, which fell 46.1% and are volatile from month to month.
- Starts for single-family homes were up 2.8% in April and have not had a down month since January.
- Starts declined in the Northeast, Midwest, and South, but increased in the West.
- New building permits declined 3.3% in April to 494,000 units at an annual rate versus a consensus expected pace of 530,000. Again, all the decline was for multiple-family units; single-family permits increased 3.6%.

Implications: Headlines are blaring that home building hit a record low in April, but these stories are missing the most important news in today's housing report. The reason housing starts hit a record low was that multiple-family starts plummeted by 46.1%. But this segment of the industry is extremely volatile, so a big downward move this month suggests a rebound next month. More important is that single-family housing starts have started a steady climb upward. These starts bottomed in January, were unchanged in February and are now up for the second month in a row. Due to excess housing inventories (roughly 2 million homes), the recovery in starts will be gradual at first. However, the stage is now set for a major turnaround in home building that will begin late this year and contribute substantially to the economy in 2010-11. Once the excess inventory is worked off completely, population growth and knock-downs will require about 1.6 million starts per year, which means starts will climb 250% in the next few years just to get back to normal. Yesterday's news on the housing market was also positive. The National Association of Home Builders market index increased to 16 in May from 14 in April. The index measures home sales, expected sales, and foot traffic by prospective buyers.

Single Family Housing Starts
Monthly % Change



Building Permits SAAR, Thous.Units
Single-Family Permits SAAR, Thous.Units



| Housing Starts SAAR, thousands | Monthly % Ch. | Apr-09 Level | Mar-09 Level | Feb-09 Level | 3-mth moving avg | 6-mth moving avg | Yr to Yr % Change |
|-----------------------------------|---------------|--------------|--------------|--------------|------------------|------------------|-------------------|
| Housing Starts | -12.8% | 458 | 525 | 574 | 519 | 543 | -54.2% |
| Northeast | -30.6% | 50 | 72 | 62 | 61 | 57 | -45.7% |
| Midwest | -21.4% | 77 | 98 | 93 | 89 | 85 | -52.5% |
| South | -21.1% | 217 | 275 | 306 | 266 | 282 | -57.0% |
| West | 42.5% | 114 | 80 | 113 | 102 | 119 | -52.9% |
| Single-Unit Starts | 2.8% | 368 | 358 | 357 | 361 | 382 | -45.6% |
| Multi-Unit Starts | -46.1% | 90 | 167 | 217 | 158 | 161 | -72.3% |
| Building Permits | -3.3% | 494 | 511 | 550 | 518 | 547 | -50.2% |
| Single-Unit Permits | 3.6% | 373 | 360 | 381 | 371 | 375 | -42.3% |

Source: U.S. Census Bureau

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