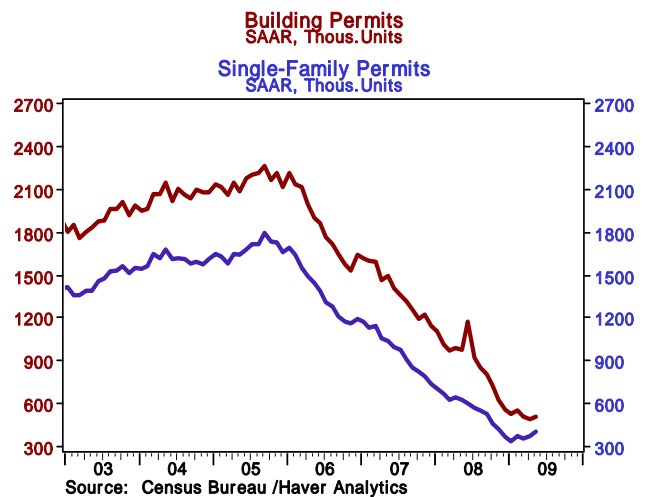
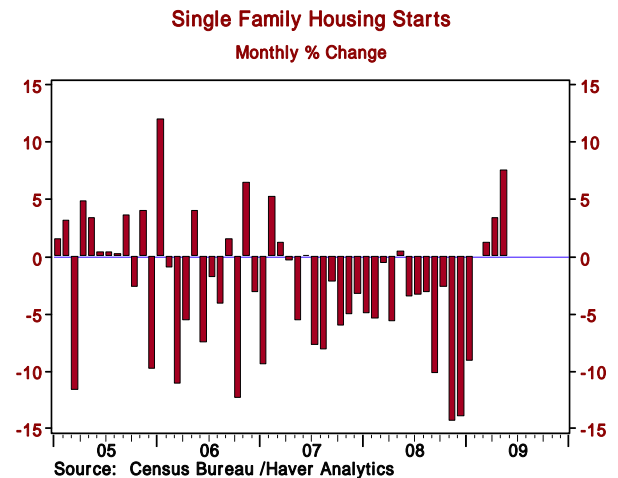


MAY HOUSING STARTS

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- Housing starts increased 17.2% in May to 532,000 units at an annual rate, well above the consensus expected pace of 485,000.
- Most of the increase in starts was due to a 61.7% rebound in multi-family units following a huge drop in April. Multi-family starts have been extremely volatile from month to month, even more than usual.
- Starts for single-family homes also increased 7.5% in May and are up 12.3% from the low in January/February.
- Starts rose in every major region of the country.
- New building permits increased 4.0% in May to 518,000 units at an annual rate versus a consensus expected pace of 508,000. All of the increase was due to single-family permits, which rose 7.9%.

Implications: The increase in housing starts is not a dead-cat bounce. It's the beginning of a massive recovery over the next few years. Single-family housing starts have increased for three straight months and are up 12.3% since the low earlier this year. Meanwhile, permits to build single-family homes increased for the third time in four months and are up 19.3% versus the January low. Although there are still excess inventories in the housing market (roughly 1.5 to 2 million homes), the rate of home building has been so slow that inventories will continue to fall rapidly even as housing starts recover. Typically, building a home takes 6-12 months, so overall home building will probably bottom in the third quarter of this year. Residential investment will then contribute substantially to real GDP growth in 2010-11. Population growth and knock-downs mean the long-term trend is to start 1.6 million homes per year. So as the excess inventory of homes gets whittled down to zero over the next few years, housing starts are going to have to triple from current levels just to get back to normal.



Housing Starts SAAR, thousands	Monthly % Ch.	May-09 Level	Apr-09 Level	Mar-09 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	17.2%	532	454	521	502	521	-45.2%
Northeast	2.0%	51	50	69	57	56	-58.5%
Midwest	11.1%	80	72	98	83	80	-42.0%
South	16.8%	257	220	274	250	266	-47.8%
West	28.6%	144	112	80	112	120	-33.9%
Single-Unit Starts	7.5%	401	373	361	378	374	-40.9%
Multi-Unit Starts	61.7%	131	81	160	124	147	-55.1%
Building Permits	4.0%	518	498	511	509	529	-47.0%
Single-Unit Permits	7.9%	408	378	360	382	373	-35.1%

Source: U.S. Census Bureau

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