

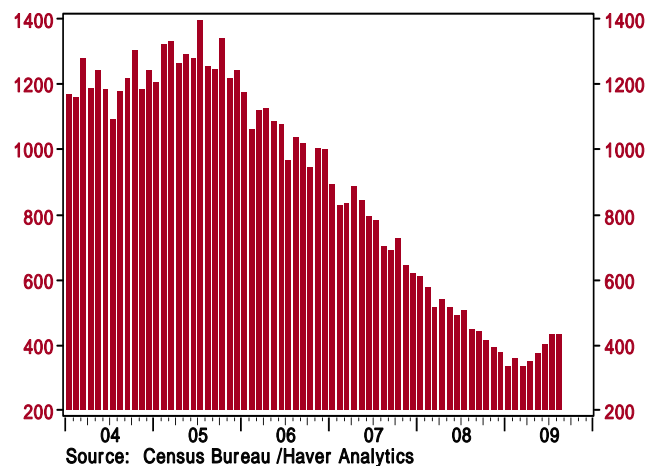
AUGUST NEW HOME SALES

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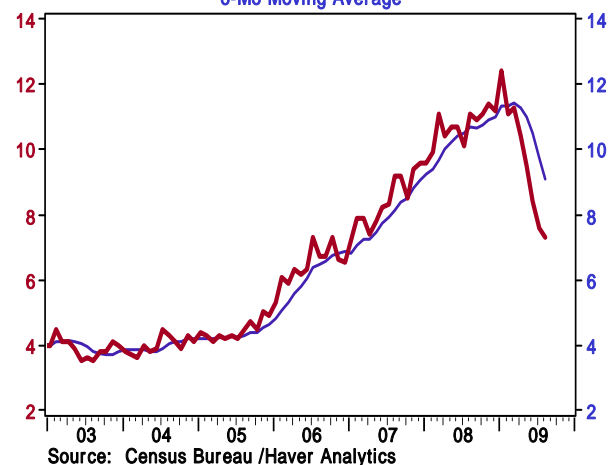
- New single-family home sales increased 0.7% in August to a 429,000 annual rate. The consensus expected pace was 440,000. Sales are up 30.4% versus the January low.
- Sales were up in the West, unchanged in the South, but down in the Northeast and Midwest.
- At the current sales pace, the supply of unsold new homes fell to 7.3 months in August from 7.6 in July. The decline in the months' supply was mostly due a continued decline in the inventory of unsold new homes, but also partly due to the faster pace of sales. Inventories fell to 262,000 in August, down 54.2% from the peak in mid-2006, and the lowest since early 1983.
- The median price of new homes sold was \$195,200 in August, down 11.7% versus a year ago. The average price of new homes sold was \$256,800, down 3.3% versus last year.

Implications: New home sales increased for the fifth consecutive month in August and are well off the low established early this year. Although the pace of sales in August did not increase quite as much as the consensus expected, sales in earlier months were revised up slightly. Part of the rise in sales is probably price related. Median new home prices fell 9.5% in August, the largest monthly drop on record. As builders compete with more foreclosed properties and short-sellers, they have cut their prices to compete effectively. Given demographic trends, we anticipate that over the next few years the annual pace of new home sales will climb from 429,000 in August to roughly 950,000. This has important implications for both inventories and the pace of home building. At present, there are 262,000 new homes in builders' inventories. Given the recent pace of sales, it would take 7.3 months for them to sell this inventory (that's why the months' supply equals 7.3). However, if the pace of sales increases back to 950,000, the months' supply will gradually fall to a very low 3.3, *even if builders keep actual inventories perfectly flat at 262,000!* This means builders can increase production to meet rising sales volume and need not try to aggressively whittle down inventories. In other news this morning, the University of Michigan's consumer sentiment index rose to 73.5 in September, the highest level since January 2008.

New 1-Family Houses Sold: United States
SAAR, Thous



Months' Supply at current Sales Rate
Seasonally Adjusted
Months' Supply at current Sales Rate
6-Mo Moving Average



New Home Sales	Aug-09		Jul-09	Jun-09	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
All Data Seasonally Adjusted, Levels in Thousands							
New Single Family Homes Sales	0.7%	429	426	400	418	384	-3.4
Northeast	-16.3%	36	43	34	38	30	28.6
Midwest	-5.8%	49	52	62	54	49	-31.9
South	0.0%	224	224	195	214	208	-11.1
West	12.1%	120	107	109	112	97	30.4
Median Sales Price (\$, NSA)	-9.5%	195,200	215,600	212,500	207,767	211,650	-11.7
		Aug-09	Jul-09	Jun-09	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		7.3	7.6	8.4	7.8	9.1	10.2

Source: Bureau of the Census

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