

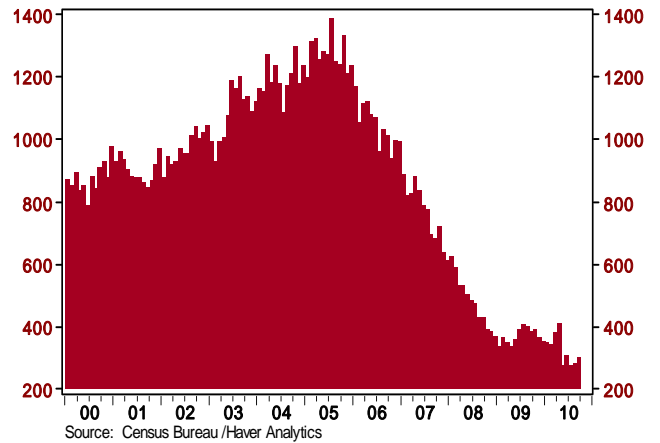
SEPTEMBER NEW HOME SALES

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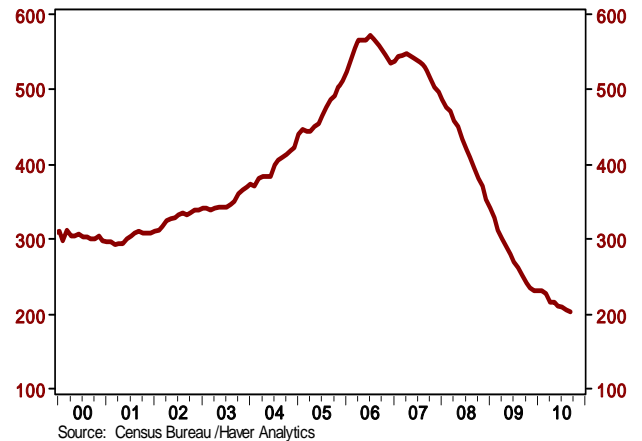
- New single-family home sales increased 6.6% in September, coming in at a 307,000 annual rate, beating the consensus expected pace of 300,000.
- Sales were up in the Northeast, Midwest, and South, but down in the West.
- At the current sales pace, the months' supply of new homes declined to 8.0 in September from 8.6 in August. Most of the decline in the months' supply was due a faster selling pace. The actual level of inventories fell 2,000 to 204,000, down 64.3% versus the peak in 2006 and the lowest level since 1968.
- The median price of new homes sold was \$223,800 in September, up 3.3% from a year ago. The average price of new homes sold was \$257,500, down 11.3% versus last year.

Implications: Today's report on new home sales beat the consensus, but remained at sluggish levels. The homebuyer tax credit, which required buyers to sign a contract by the end of April, moved future sales forward. As a result, new home sales, which are counted at contract, increased to a 370,000 annual pace in April. Since then, sales have averaged only a 294,000 annual pace. Given a growing population, new home sales should increase over the next several years to roughly 950,000. We believe the gains in sales over the past two months are the start of that trend. Meanwhile, the total number of homes for sale continues to decline, making room for a rise in home construction in future quarters. In other recent housing news, the Case-Shiller index, a measure of home prices in the 20 largest metro areas around the country, declined 0.3% in August (seasonally-adjusted). The index is still up 1.7% versus a year ago. The FHFA index, a measure of prices for homes financed with conforming mortgages, increased 0.4% in August, but is down 2.4% in the past year. Home price measures should soon be feeling downward pressure from the lapse of the homebuyer tax credit. Once this "hangover" period is cleared, we expect a renewal of an upward trend in home prices.

New 1-Family Houses Sold: United States
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New 1-Family Houses For Sale: United States
SA, Thous



New Home Sales	Sep-10		Aug-10	Jul-10	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
<i>All Data Seasonally Adjusted, Levels in Thousands</i>							
New Single Family Homes Sales	6.6%	307	288	285	293	314	-21.5
Northeast	3.4%	30	29	30	30	31	-18.9
Midwest	60.6%	53	33	44	43	45	-20.9
South	3.2%	160	155	166	160	170	-16.2
West	-9.9%	64	71	45	60	68	-33.3
Median Sales Price (\$, NSA)	1.5%	223,800	220,500	209,800	218,033	218,733	3.3
		Sep-10	Aug-10	Jul-10	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		8.0	8.6	8.8	8.5	8.2	7.9

Source: Bureau of the Census

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