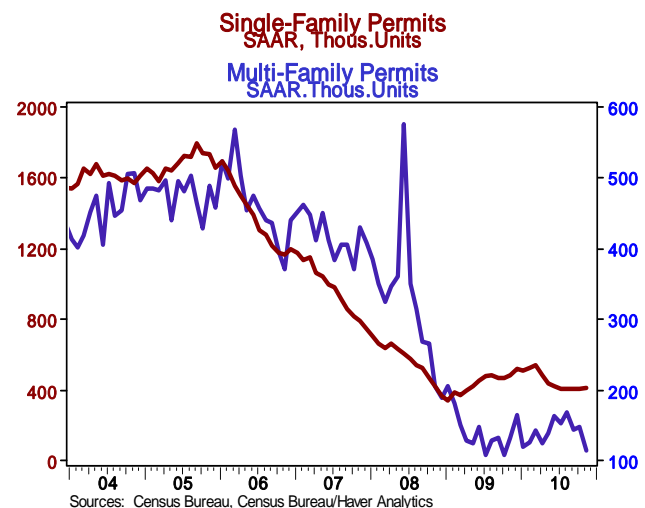
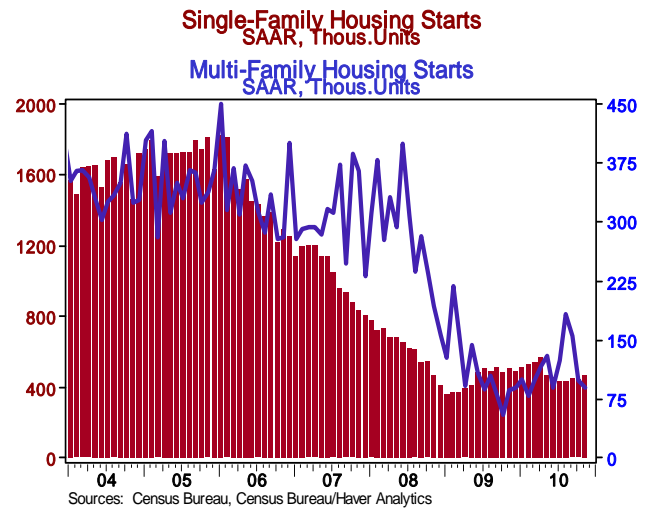


NOVEMBER HOUSING STARTS

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- Housing starts rose 3.9% in October to 555,000 units at an annual rate, beating the consensus expected 550,000 pace. Starts are down 5.8% versus a year ago.
- All of the gain in November was due to a 6.9% rise in single-family starts. Multi-family starts, which are volatile from month to month, fell 9.1%. Multi-family starts are up 5.9% versus a year ago while single-family starts are down 7.7%.
- Starts increased in the Midwest, South, and West, but declined in the Northeast.
- New building permits fell 4.0% in November to a 530,000 annual rate, coming in below the consensus expected pace of 560,000. Permits are down 14.7% versus a year ago with permits for single-family units down 14.9%.



Implications: Housing starts bounced back in November adding to the wide array of data undermining the case for a double-dip recession. All of the gain was due to single-family starts, which are up in 3 of the past 4 months. Multi-family starts fell again in November for the fourth month in a row, but it's important to remember that multi-family starts are extremely volatile from month to month. Despite the drop in November, the 12-month moving average for multi-family starts is still in a rising trend. Meanwhile the demand for multi-unit dwellings will continue to increase due to ongoing foreclosures and the rise in rental occupancy. As a result, we anticipate a very large rebound in multi-unit construction over the next couple of months. Although excess housing inventories remain, they are dropping rapidly and will continue to decline even in the face of a substantial recovery in home building. True, many former "homeowners" (we use that term loosely after an era of zero down payments) are becoming renters, but rental properties require construction too. When you hear stories about a "wave of foreclosures" lifting inventories, remember that when someone leaves their home to rent somewhere else that overall housing inventories do not change. In other news this morning, new claims for unemployment insurance fell 3,000 last week to 420,000. Continuing claims for regular state benefits increased 22,000 to 4.135 million. Also in other news this morning the Philadelphia Fed index, a measure of manufacturing in that region, increased to 24.3 in December from 22.5 in November. The consensus had expected a decline to 15.0.

Housing Starts SAAR, thousands	Monthly % Ch.	Nov-10 Level	Oct-10 Level	Sep-10 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	3.9%	555	534	601	563	566	-5.8%
Northeast	-2.5%	79	81	69	76	73	19.7%
Midwest	15.8%	110	95	97	101	98	2.8%
South	2.3%	269	263	301	278	281	-11.2%
West	2.1%	97	95	134	109	114	-14.2%
Single-Unit Starts	6.9%	465	435	447	449	443	-7.7%
Multi-Unit Starts	-9.1%	90	99	154	114	123	5.9%
Building Permits	-4.0%	530	552	547	543	557	-14.7%
Single-Unit Permits	3.0%	416	404	402	407	409	-14.9%

Source: U.S. Census Bureau

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