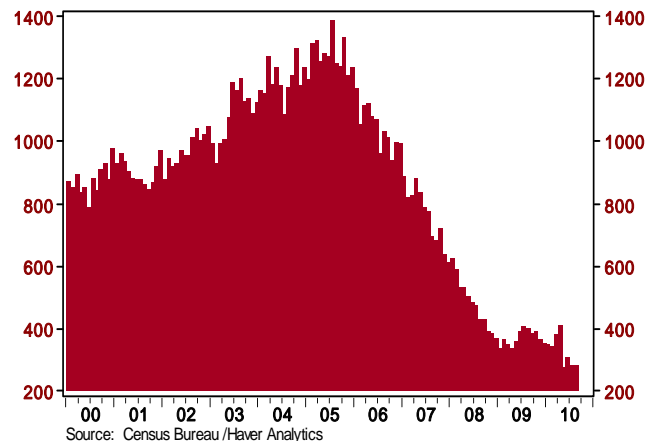


AUGUST NEW HOME SALES

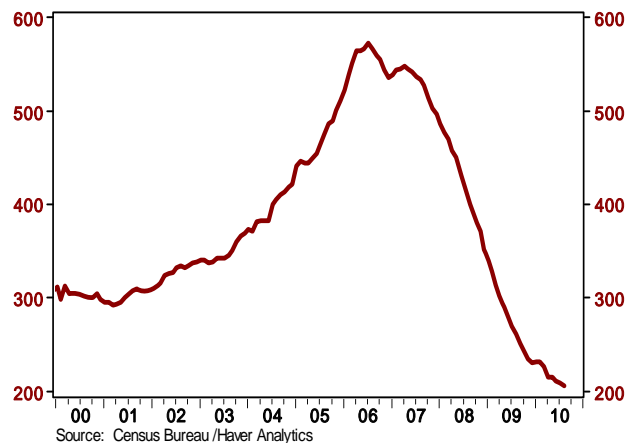
Chief Economist – Brian S. Wesbury
Senior Economist – Robert Stein, CFA

- New single-family home sales were unchanged in August, coming in at a 288,000 annual rate, falling short of the consensus expected pace of 295,000.
- Sales were up in the West and Northeast, but down in Midwest and South.
- At the current sales pace, the months' supply of unsold new homes ticked down to 8.6 in August from 8.7 in July. All the decline in the months' supply was due to the lower level of inventories. The actual level of inventories fell 3,000 to 206,000, down 64.0% versus the peak in 2006 and the lowest level since 1968.
- The median price of new homes sold was \$204,700 in August, down 1.2% from a year ago. The average price of new homes sold was \$248,800, down 3.5% versus last year.

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



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



Implications: Today's report on new home sales remained sluggish and came in below consensus expectations. Part of this is due to the expiration of the homebuyer tax credit, which required buyers to sign a contract by the end of April, moving future sales forward. As a result, new home sales, which are counted at contract, increased to a 414,000 annual pace in April. Since then (May thru August), sales have averaged only a 293,000 annual pace. But there is likely more going on than just the credit. Typically, new home sales comprise 15% of all sales; lately, they've been less than 7%. Many people who would otherwise be in the market for a new home can get a similar existing home that was built in the past decade, due to heavy foreclosures and short-sales. Given a growing population, new home sales should increase over the next several years to roughly 950,000. But excess inventories of existing homes are slowing that process.

New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Aug-10		Jul-10	Jun-10	3-mo	6-mo	Yr to Yr
	% Ch	Level			moving avg	moving avg	% Change
New Single Family Homes Sales	0.0%	288	288	312	296	328	-28.9
<i>Northeast</i>	16.7%	35	30	35	33	33	-5.4
<i>Midwest</i>	-26.1%	34	46	47	42	46	-38.2
<i>South</i>	-10.8%	148	166	173	162	176	-28.2
<i>West</i>	54.3%	71	46	57	58	73	-33.6
Median Sales Price (\$, NSA)	-0.6%	204,700	205,900	218,000	209,533	215,367	-1.2
		Aug-10	Jul-10	Jun-10	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		8.6	8.7	8.1	8.5	8.0	7.9

Source: Bureau of the Census

This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.