

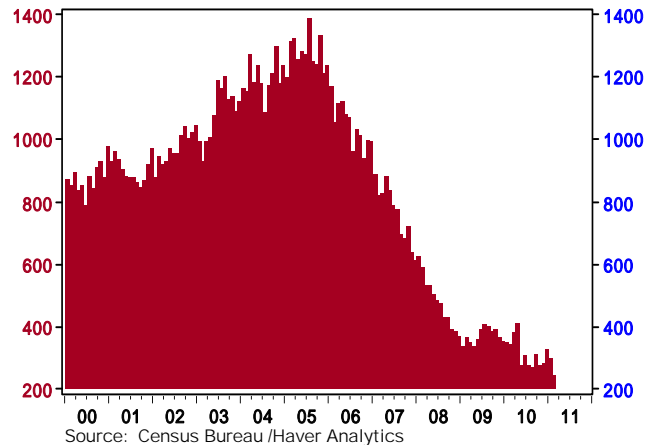
FEBRUARY NEW HOME SALES

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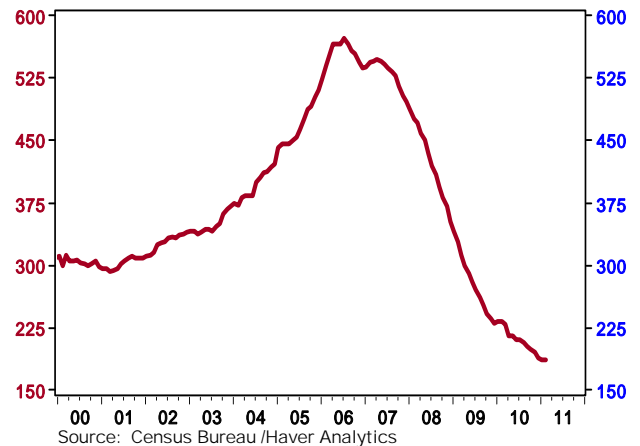
- New single-family home sales declined 16.9% in February, coming in at a 250,000 annual rate, well below the consensus expected pace of 290,000.
- Sales were down in all major regions of the country.
- At the current sales pace, the months' supply of new homes (how long it would take to sell the homes in inventory) increased to 8.9 in February from 7.4 in January. The rise in the months' supply was all due to the slower pace of sales; actual inventories were unchanged from last month, remaining at the lowest level since 1967.
- The median price of new homes sold was \$202,100 in February, down 8.9% from a year ago. The average price of new homes sold was \$246,000, down 13.4% versus last year.

Implications: New home sales fell to the lowest level on record in February. The new home market is facing two major problems. First, there are far too many existing homes on the market, many of which are almost new and – due to foreclosures and short sales – selling at a steep discount to fair value (or even building costs). Second, despite low mortgage rates, credit conditions are very tight, particularly for buyers who don't have very good credit scores and a 20% down-payment. Interestingly, about half of the new homes sold are already completed. By contrast, during the housing boom the vast majority of new homes sold were either still under construction or not even started. In other words, buyers today can easily forego the headache of waiting for their new home to be finished. Buyers who have access to credit or can buy with cash have never been in a better position. We expect new home sales to eventually increase substantially, but it will take several years to fully recover due to the large inventory of existing homes. In other recent housing news, the FHFA index, a measure of prices for homes financed by conforming mortgages, declined 0.3% in January (seasonally-adjusted) and is down 3.9% versus a year ago. Also, the Richmond Fed index, a measure of manufacturing activity in the mid-Atlantic region, came in at a still robust +20 in March versus +25 in February. Manufacturing keeps growing rapidly even as housing continues to languish.

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



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



New Home Sales	Feb-11		Jan-11	Dec-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	-16.9%	250	301	333	295	295	-28.0
Northeast	-57.1%	15	35	21	24	26	-50.0
Midwest	-27.5%	29	40	39	36	39	-40.8
South	-6.3%	148	158	166	157	160	-17.8
West	-14.7%	58	68	107	78	70	-34.1
Median Sales Price (\$, NSA)	-13.9%	202,100	234,800	236,800	224,567	220,917	-8.9
		Feb-11	Jan-11	Dec-10	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		8.9	7.4	6.8	7.7	7.9	8.0

Source: Bureau of the Census

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