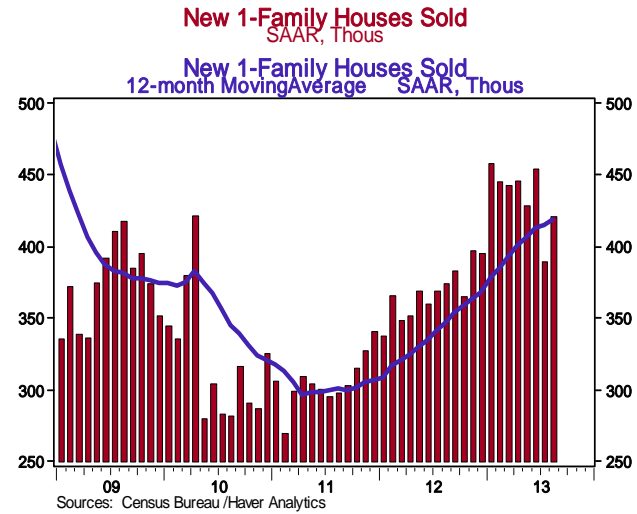


August New Home Sales

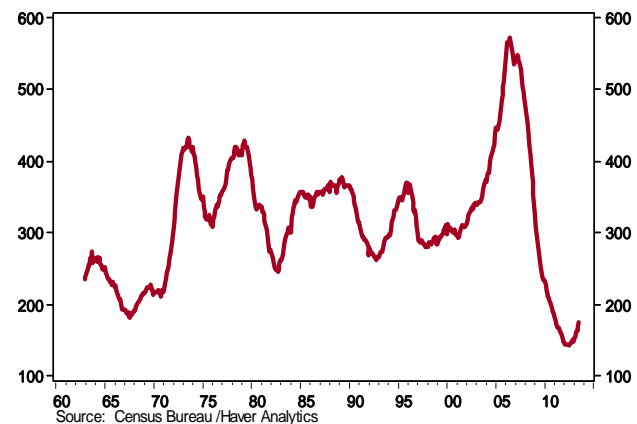
Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Economist

- New single-family home sales rose 7.9% in August to a 421,000 annual rate, coming in slightly above the consensus expected pace of 420,000. Sales are up 12.6% from a year ago.
- Sales were up in the Midwest, South, and Northeast, but down in the West.
- The months' supply of new homes (how long it would take to sell the homes in inventory) fell to 5.0 in August from 5.2 in July. The decline in the months' supply was all due to the faster selling pace of homes. Inventories rose by 6,000 units.
- The median price of new homes sold was \$254,600 in August, up 0.6% from a year ago. The average price of new homes sold was \$318,900, up 4.4% versus last year.

Implications: A strong report on new home sales today. New home sales rose 7.9% in August and are up 12.6% from a year ago. So, in the face of higher mortgage rates and an increase in inventories of existing homes, which should be drawing some buyers away from buying new homes, the market for new homes continues to improve. As shown in the chart to the right, the 12-month moving average for new home sales is at its highest level since March 2009. The inventory of new homes has increased in 12 of the past 13 months and the gains in the past two months have been the largest over any two-month period since 2006. However, we don't see these gains as anything to worry about. The months' supply of new homes – how long it would take to sell all the new homes in inventory – declined to 5.0 in August, below the average of 5.7 over the past twenty years. As a result, as the pace of sales continues to recover, home builders can keep increasing inventories. Another way to think about it is that the construction of new homes can outpace a rising pace of sales over the next few years. In other recent housing news, the Case-Shiller index, which measures prices in the 20 largest metro areas, increased 0.6% in July. Eighteen of twenty areas had price gains for the month; the only two exceptions were Minneapolis and Cleveland. The index is up 12.4% in the past year, with recent gains led by Las Vegas, San Diego, and San Francisco. The FHFA index, which measures prices nationwide but only for homes financed by conforming mortgages, increased 1% in July and is up 8.8% from a year ago. The rapid price gains in the year ending in July were propelled by prior steep declines in inventories. Now, as builders ramp up construction and inventories start to head back up, the extra supply should take the edge off of home price gains in the year ahead. Prices will still go up, just not quite as fast.



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



New Home Sales	Aug-13		Jul-13	Jun-13	3-mo	6-mo	Yr to Yr
	% Ch	Level			moving avg	moving avg	% Change
<i>All Data Seasonally Adjusted, Levels in Thousands</i>							
New Single Family Homes Sales	7.9%	421	390	454	422	431	12.6
Northeast	8.8%	37	34	35	35	33	27.6
Midwest	19.6%	61	51	58	57	61	15.1
South	15.3%	241	209	245	232	236	28.2
West	-14.6%	82	96	116	98	101	-21.2
Median Sales Price (\$, NSA)	-0.7%	254,600	256,300	256,600	255,833	261,333	0.6
		Aug-13	Jul-13	Jun-13	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		5.0	5.2	4.3	4.8	4.6	4.5

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.