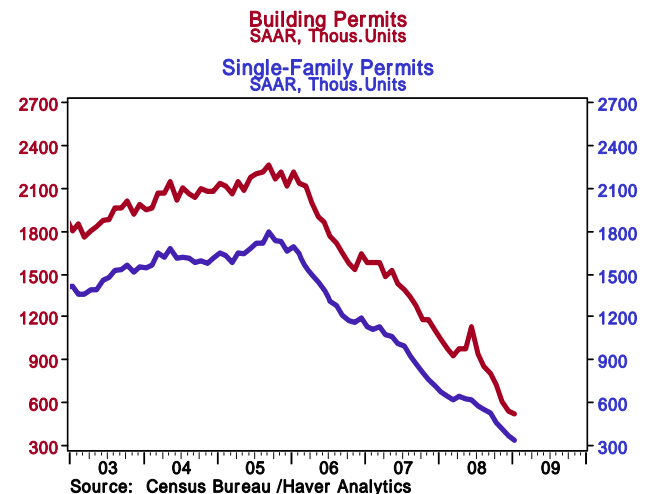
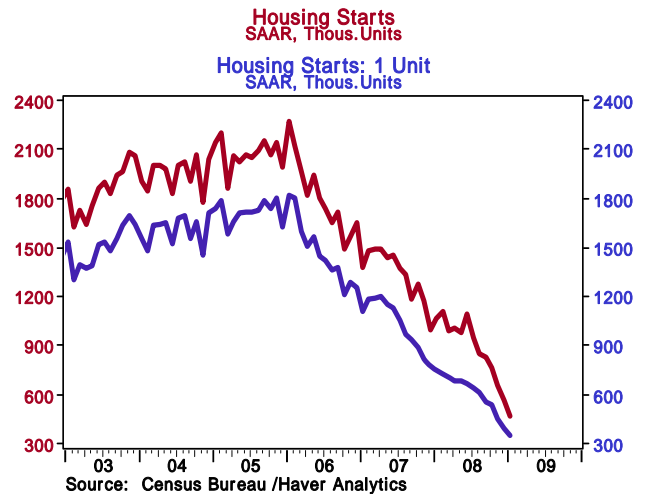


# JANUARY HOUSING STARTS

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- Housing starts declined 16.8% in January to 466,000 units at an annual rate, well below the consensus expected 529,000 rate. Starts are down 56.2% versus a year ago and off 79.5% from the peak in January 2006.
- December starts declined for both single-family homes, which fell 12.2%, and multi-family units, which fell 27.9%.
- Starts fell across every major region of the country.
- New building permits fell 4.8% in January to 521,000 units at an annual rate, only slightly below the consensus expected rate of 525,000. Single-family permits declined 8.0% in January, are down 50.4% versus last year, and 81.4% since the peak in September 2005.



**Implications:** Housing starts and building permits continued to decline in January, hitting new record lows dating back 50 years. This is exactly what has to happen in order for the building industry to work off the excess inventory of homes. In turn, slow home building today will clear the way for the inevitable recovery. Why is the recovery inevitable? There are about 130 million homes in the US. If the current annual rate of housing starts were sustained, at 466,000, the average age of homes would go up to 279 years (and that’s assuming zero expansion in the stock of homes, despite a rising population.) This is about 40 years older than Thomas Jefferson’s Monticello! Typically, the “replacement rate” is about 70 years. Long-term, given both population growth and knock-downs to replace existing homes, housing starts should be running at an average annual rate of *at least* 1.5 million. So there is room for a huge bounce in home building. The fact that building permits exceeded starts in January suggests builders are looking forward to this opportunity. In other news this morning, import prices fell 1.1% in January and are down 12.5% versus last year. Almost all the decline versus a year ago is oil-related. Ex-petroleum, import prices are down only 0.6%. Meanwhile, export prices increased 0.5% in January, the first increase in six months. The rise in export prices and an import price decline that was less than the consensus expected support the case that risk aversion hysteria is continuing to gradually ease.

Housing Starts SAAR, thousands	Monthly % Ch.	Jan-09 Level	Dec-08 Level	Nov-08 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
<b>Housing Starts</b>	<b>-16.8%</b>	466	560	655	560	688	-56.2%
<b>Northeast</b>	<b>-42.9%</b>	36	63	56	52	80	-73.7%
<b>Midwest</b>	<b>-29.3%</b>	53	75	106	78	104	-66.0%
<b>South</b>	<b>-12.8%</b>	246	282	355	294	351	-53.7%
<b>West</b>	<b>-6.4%</b>	131	140	138	136	154	-45.4%
<b>Single-Unit Starts</b>	<b>-12.2%</b>	347	395	456	399	483	-53.7%
<b>Multi-Unit Starts</b>	<b>-27.9%</b>	119	165	199	161	204	-62.1%
<b>Building Permits</b>	<b>-4.8%</b>	521	547	615	561	679	-50.5%
<b>Single-Unit Permits</b>	<b>-8.0%</b>	335	364	414	371	446	-50.4%

Source: U.S. Census Bureau

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