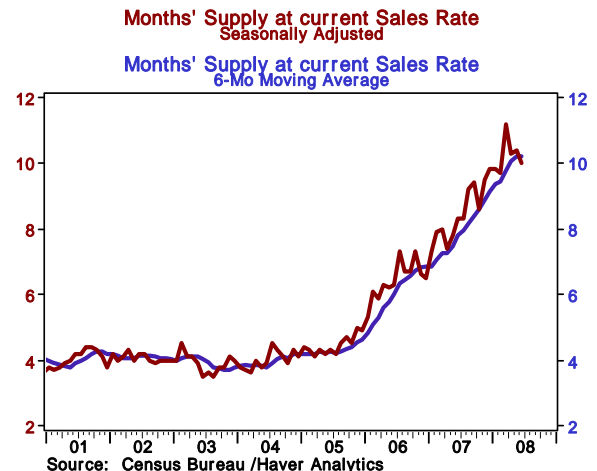
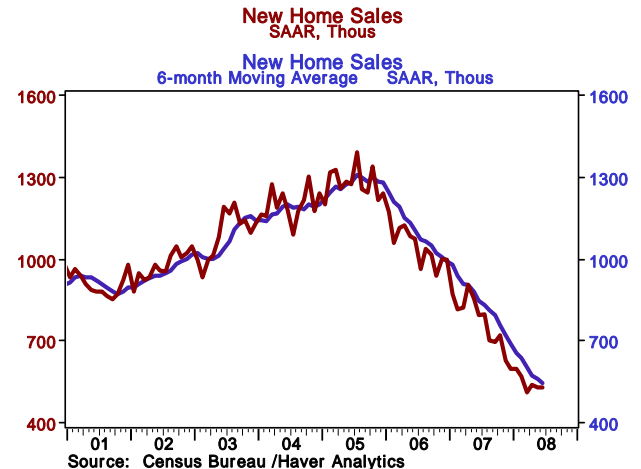


JUNE NEW HOME SALES

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

- New single-family homes were sold at an annual rate of 530,000 in June, well ahead of the consensus expected 503,000 pace. Although sales were down 0.6% versus last month, this was due to a large upward revision for May. Sales are down 33.2% versus last year.
- Sales increased in the Northeast and Midwest but declined in the South and West.
- At the current sales pace, the supply of unsold new homes dropped to 10.0 months in June. Three months ago, the months' supply was at 11.2, the highest since 1981. The inventory of new homes fell to 426,000, down 25.4% from the peak in mid-2006.
- The median price of new homes sold was \$230,900 in June, down 2.0% versus a year ago. The average price of new homes sold was \$298,600, down 2.6% versus last year.



Implications: The pace of new home sales has either already hit bottom or is getting very close to the bottom. Although there is more pain ahead in the housing sector, the healing process is well underway. In the past four months, the annual pace of sales has hovered between 513,000 and 542,000. This is similar to recent data on existing home sales, which show a substantially slower rate of decline in the past nine months. Meanwhile, inventories of new homes are falling dramatically. Total new home inventory peaked at 570,000 in mid-2006 and is now down to 425,000. The number of unsold *completed* new homes – a key factor behind future construction and price changes – peaked in January 2008 at 199,000 and is now down to 170,000. The 29,000 decline in only five months is, by far, the fastest reduction in history (dating back to 1963). Despite the improvement, we expect nationwide average home prices to fall another 10% through mid-2009 on a Case-Shiller basis. California, Nevada, Florida, and Arizona will likely see larger price declines while many areas will see much smaller declines, if any.

New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Jun-08		May-08	Apr-08	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
New Single Family Homes Sales	-0.6%	530	533	542	535	548	-33.2
Northeast	5.3%	40	38	41	40	40	-37.5
Midwest	2.5%	83	81	82	82	78	-27.2
South	-2.0%	293	299	294	295	302	-33.4
West	-0.9%	114	115	125	118	128	-34.9
Median Sales Price (\$, NSA)	1.4%	230,900	227,700	243,400	234,000	234,833	-2.0
		Jun-08	May-08	Apr-08	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		10.0	10.4	10.3	10.2	10.2	9.7

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.