

Builders See Flicker of Hope in Home Buyer Demand

By: Jann Swanson | Mbn, Oct 18 2010, 2:37 PM

Builders are starting to see "a flicker of interest" from potential home buyers according to the [National Association of Home Builder \(NAHB\)/Wells Fargo Housing Market Index \(HMI\)](#) released on Monday. That index rose three points in October, the first increase in five months. HMI, a measure of builder confidence in the outlook for home sales currently and in the near future, has been issued by NAHB and Wells Fargo for 20 years.

NAHB gauges its members perceptions of current single family home sales and their expectations about their sales over the next six months as "good" "fair" or "poor" and their opinion of current buyer traffic as "high to very high," "average" or "low to very low." Scores from each of the three measures are used to calculate a seasonally adjusted index for each component and the composite HMI. Any number over 50 indicates that more builders view conditions as good than poor; the HMI has not achieved a level of 50 since late in 2006.

All three of the component indices improved in October with the index gauging current sales conditions rising three points to 15; the one looking six months into the future was up five points to 23 and the index gauging buyer traffic rose from 9 to 11. The HMI itself registered 16, a return to the level last seen in June.

REUTERS

Housing Indexes	Oct	Sept	(Prev)	Oct '09
Housing Market	16	13	13	17
Single-Family	16	13	13	17
Prospective Buyers	11	9	9	13
Sales Over 6 Months	23	18	18	26

FORECAST:

Reuters survey of Wall Street economists forecast:
U.S. Oct NAHB Housing Market Index at 14

NAHB Chairman Bob Jones said that builders are hopeful that flicker of buyer interest they see will translate to more sales in the coming months. **"However, because most builders still have no access to credit for building homes, there is a real concern that we will not be able to meet the pent-up demand when consumers are ready to get back in the market. This problem threatens to severely slow the housing and economic recovery."**

Builder confidence improved across every region in October. The South and West each posted four-point gains, to 18 and 12, respectively, while the Northeast and Midwest each posted single-point gains, to 17 and 13, respectively.

"The new-homes market is finally moving past the lull that occurred when the home buyer tax credits expired and economic growth stalled this summer," noted NAHB Chief Economist David Crowe. "While challenges such as competition from foreclosures, inaccurate appraisal values, and general consumer uncertainty about the economy and job market continue to be major factors, builders have seen a slight increase in consumers who are considering a home purchase. The toughest obstacles really come down to financing - the scarcity of construction credit for builders along with tougher mortgage requirements for consumers."

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