

Builder Confidence Highest Since 2005

By: Jann Swanson | Thu, Jul 16 2015, 1:25 PM

Builder confidence may finally be back to stay. After yo-yoing in and out of the "good" range of 50 or more for years, the National Association of Home Builders (NAHB) said on Thursday that its Housing Market Index (HMI), sponsored along with Wells Fargo, hit 60 this month and last month's 59 reading was upwardly revised to that level as well. It is the **highest level** of the HMI since November 2005.

The HMI measures builder confidence in the market for **newly built, single-family homes**. It fell below the benchmark of 50 in mid-2006, ultimately dropping as low as 8 in early 2009, and did not touch it again for 85 months. It then dipped in and out of the low 50s range for another year before finally stabilizing exactly one year ago.

"The fact that builder confidence has returned to levels not seen since 2005 shows that housing continues to improve at a steady pace," said NAHB Chairman Tom Woods. "As we head into the second half of 2015, we should **expect a continued recovery** of the housing market."

"This month's reading is in line with recent data showing stronger sales in both the new and existing home markets as well as continued **job growth**," said NAHB Chief Economist David Crowe. "However, builders still face a number of challenges, including shortages of lots and labor."

NAHB derives its index from a monthly survey which attempts to gauge builder perceptions of current single-family home sales and sales expectations for the next six months as "good," "fair" or "poor." The survey also asks builders to rate traffic of prospective buyers as "high to very high," "average" or "low to very low." Scores for each component are then used to calculate a seasonally adjusted index where any number over 50 indicates that more builders view conditions as good than poor. NAHB has conducted the survey for over 30 years.

Two of the three HMI components posted gains in July. The component gauging current sales conditions rose one point to 66 and the index charting sales expectations in the next six months increased two points to 71. Meanwhile, the component measuring **buyer traffic** dropped a single point to 43. This latter component has dragged on the composite for years. It has not risen above 50 since August 2005.

Looking at the three-month moving averages for regional HMI scores, the West and Northeast each rose three points to 60 and 47, respectively. The South and Midwest posted respective one-point gains to 61 and 55.

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