

## Builder Index makes First Move in Five Months

By: Jann Swanson | Thu, Jun 16 2016, 10:31 AM

There was a flicker of life this month in the National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index (HMI). After spending **four consecutive months** stuck at a reading of 58, the index gained two points to reach its highest reading since January.

The index, a measure of home builder's confidence in the market for newly constructed homes, reached a multi-year high of 65 in October 2015 but then declined steadily before stabilizing at 58. Analysts surveyed by Econoday had expected an uptick to 59 this month.

The index is derived from a survey NAHB conducts among its new home builder members in which it asks them to express their perceptions of current single-family home sales and their expectations of sales over 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.

All three HMI components indicated increasing confidence this month. The component gauging current sales conditions rose one point to 64, the index charting sales expectations in the next six months **increased five points** to 70, and the component measuring buyer traffic climbed three points to 47.

"Rising home sales, an improving economy and the fact that the HMI gauge measuring future sales expectations is running at an eight-month high are all positive factors indicating that the housing market should continue to move forward in the second half of 2016," said NAHB Chief Economist Robert Dietz.

"Builders in many markets across the nation are reporting **higher traffic** and more committed buyers at their job sites," said NAHB Chairman Ed Brady. "However, our members are also relating ongoing concerns regarding the shortage of buildable lots and labor and noting pockets of softness in scattered markets."

Regional scores are reported as three-month moving averages. The South's HMI gained two points to 61 and the West was up one point to 68. The Northeast and Midwest were both lower; the former dropped two points to 39 and the Midwest was at 57, a one-point dip.

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