

House-Hungry Millennials Help Keep Builder Confidence Solid

By: Jann Swanson | Tue, Sep 18 2018, 10:29 AM

Builder confidence in the market for newly-built single-family homes **stabilized a bit in September**. The National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index (HMI), which has been wobbly in recent months, retained its August reading of 67 in September. The two months are tied at the lowest level of the index so far this year.

"Despite rising affordability concerns, builders continue to report firm demand for housing, especially as **millennials and other newcomers enter the market**," said NAHB Chairman Randy Noel. "The recent decline in lumber prices from record-high levels earlier this summer is also welcome relief, although builders still need to manage construction costs to keep homes competitively priced."

Derived from a monthly survey that NAHB has been conducting for 30 years, the HMI gauges 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.

The HMI index measuring current sales conditions rose 1 point from August and the component gauging expectations over the next six months gained 2 points. This put both at components at 74 for the month. Meanwhile, the metric charting **buyer traffic held steady at 49**.

"A growing economy and rising incomes combined with increasing household formations should boost demand for new single-family homes moving forward," said NAHB Chief Economist Robert Dietz. "However, housing affordability is becoming a challenge, as builders face overly burdensome regulations and rising material costs exacerbated by an escalating trade skirmish. Interest rates are also forecasted to keep rising."

Regional scores are presented as moving averages. The index in the **Northeast** rose one point to 54 and the **South** remained unchanged at 70. The **West** edged down a single point to 73 and the **Midwest** fell three points to 59.

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