

Builder Confidence Highest in Two Decades

By: Jann Swanson | Mbn, Dec 16 2019, 10:41 AM

Home builders ended the year with an **apparent outbreak of euphoria**. Responding to higher trending sales and low interest rates they sent the National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index (HMI) soaring to its highest reading since June 1999. NAHB said the December HMI, a measure of builder confidence in the market for new homes, jumped 5 points to 76. The gain was on top of a November index that was revised up from 70 to 71.

"Builders are continuing to see the housing rebound that began in the spring, **supported by a low supply of existing homes, low mortgage rates and a strong labor market**," said NAHB Chairman Greg Ugalde.

"While we are seeing near-term positive market conditions with a 50-year low for the unemployment rate and increased wage growth, we are still underbuilding due to supply-side constraints like labor and land availability," said NAHB Chief Economist Robert Dietz. "Higher development costs are hurting affordability and dampening more robust construction growth."

Derived from a monthly survey that NAHB has been conducting for 30 years, the HMI asks NAHB's new home builder members to give their perceptions of current single-family home sales and their expectations over the next six months as "good," "fair" or "poor." They are also asked to rate the current traffic of prospective buyers as "high to very high," "average" or "low to very low." Scores for each component are used to calculate a seasonally adjusted index where any number over 50 indicates that more builders view conditions as good than poor.

Responses to all three questions were strongly positive. The HMI index gauging current sales conditions rose 7 points to 84, the component measuring sales expectations in the next six months edged up 1 point to 79 and the measure charting traffic of prospective buyers increased four points to 58.

Regional responses are presented as three-month moving averages and those rose in three of the four regions; **only the Northeast was lower**, dipping 2 points to 61. The Midwest HMI rose 5 points to 63, the South's index increased from 75 to 76 and the West rose 3 points to 84.

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