

Builder Confidence Sets a New Record Once Again

By: Jann Swanson | Mbn, Oct 19 2020, 10:33 AM

For only the second time in its 35-year history, the National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index (HMI) topped 80 this month. The first time was in September. The index, a measure of builder confidence in the market for newly built single-family homes increased two points to 85, **breaking the previous high of 83 set last month.**

"Traffic remains high and record-low interest rates are keeping demand strong as **the concept of 'home' has taken on renewed importance for work, study and other purposes** in the Covid era," said NAHB Chairman Chuck Fowke. "However, it is becoming increasingly challenging to build affordable homes as shortages of lots, labor, lumber and other key building materials are lengthening construction times."

Derived from a monthly survey of its new home builder members, 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.

All the HMI indices posted or matched their highest readings ever in October. The HMI index gauging **current sales conditions rose two points to 90**, the component measuring sales expectations in the next six months increased three points to 88 and the measure charting traffic of prospective buyers held steady at 74.

In addition to setting new highs, the HMI has carried out a **stunning comeback from its April level after a 42 point plunge.** The index had recovered enough by August to set an all-time high, one that has subsequently been broken twice.

"The housing market continues to be a bright spot for the economy, supported by increased buyer interest in the suburbs, exurbs and small towns," said NAHB Chief Economist Robert Dietz. "NAHB analysis published last week showed that new single-family home sales are outpacing starts by a historic margin. Bridging this gap will require either a gain in construction volume or reductions in available inventory, which is already at a historic low in terms of month's supply."

Regional scores are reported as three-month moving averages. The index in the Northeast increased 6 points to 82, the Midwest and the South each gained 3 points to 75 and 82, respectively and the West rose by 5 points to 90.

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