

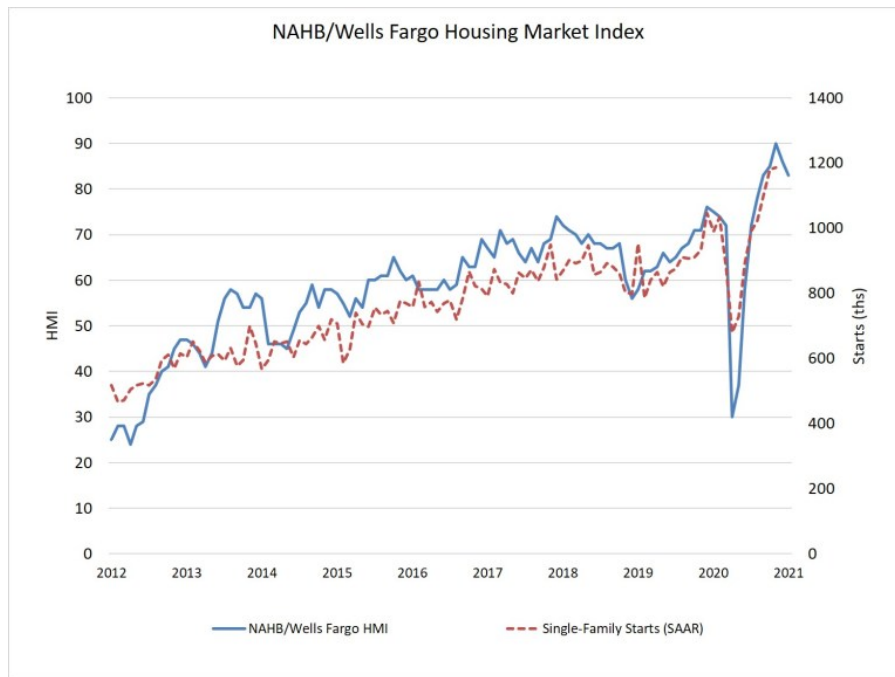
Rising Material Prices and Lot Shortages Hurt January Builder Confidence

By: Jann Swanson | Wed, Jan 20 2021, 11:45 AM

After setting three successive record highs, **most recently a 90 level in November**, the pandemic and rising construction costs are taking a toll on the Housing Market Index (HMI). The National Association of Home Builders (NAHB) said the index, which it sponsors with Wells Fargo, fell for the second straight month. A 3-point drop in the index, which measures builder confidence in the new home market, follows a 4-point decline in December. **The January level now stands at 83.**

"Despite robust housing demand and low mortgage rates, buyers are facing a dearth of new homes on the market, which is exacerbating affordability problems," said NAHB Chairman Chuck Fowke. "Builders are grappling with supply-side constraints related to lumber and other material costs, a lack of affordable lots and labor shortages that delay delivery times and put upward pressure on home prices. They are also concerned about a changing regulatory environment."

"While housing continues to help lead the economy forward, limited inventory is constraining more robust growth," said NAHB Chief Economist Robert Dietz. **"A shortage of buildable lots is making it difficult to meet strong demand and rising material prices are far outpacing increases in home prices,** which in turn is harming housing affordability."



The index is derived from a survey that NAHB has conducted for the last 35 years. It asks its new home builder members for their perceptions of current single-family home sales and their expectations for 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.

All three major of the indices fell in January. The components gauging current sales conditions and the one anticipating the market over the next six months each dropped 2 points to 90 and 83, respectively. The index charting traffic of prospective buyers decreased 5 points to 68.

Regional indices are reported as three-month moving averages. The score for the Northeast fell 6 points to 76, the Midwest's rose 2 points to 83, the index for the South and the West each posted 1-point losses to 86 and 95, respectively.

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