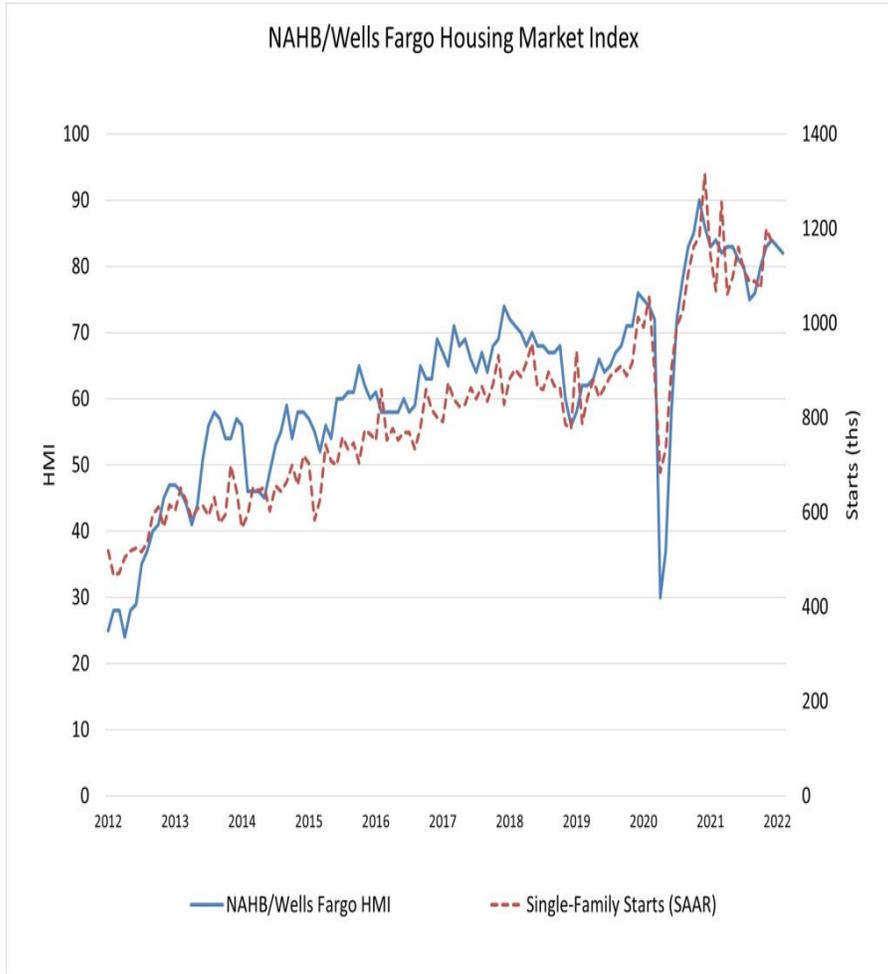


Confidence Slips as Builders Face Big Material Delays

By: Jann Swanson | Wed, Feb 16 2022, 10:47 AM

There was another bit of erosion in builder confidence in February. The National Association of Home Builders (NAHB) said the NAHB/Wells Fargo Housing Market Index (HMI) dipped 1-point during the month to a reading of 82. It **lost 1 point** in January as well.



NAHB’s chief economist Robert Dietz said builders are grappling with ongoing building material production bottlenecks. “Production disruptions are so severe that many builders are waiting months to receive cabinets, garage doors, countertops and appliances,” Dietz said.

“These delivery delays are raising construction costs and pricing prospective buyers out of the market. Residential construction costs are **up 21 percent** on a year over year basis. Higher [interest rates](#) in 2022 will further reduce housing affordability even as demand remains solid due to a lack of resale inventory.” He added, however, that the index continues to post solid readings at or above the 80-point mark as it has done for the past five months.

The HMI is derived from a monthly survey that NAHB has been conducting for more than 35 years. New home builder members of NAHB are asked to give their perceptions of current single-family home sales and sales expectations for the next six months as “good,” “fair” or “poor” and to rate buyer traffic 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 gauging current sales conditions increased 1 point to 90, the gauge measuring sales expectations in the next six months fell 2 to 80, and the component charting traffic of prospective buyers saw a 4-point decline to 65.

Regional scores are reported as a three-month moving average. The index for the Northeast rose 3 points to 76 and the West was up 1 point to 89. The other two regions each lost 1 point, leaving the Midwest at 73 and the South at 86.

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