



## Buyer Demand Shores Up Builder Confidence

After dropping from record high levels by a total of 7 points over the last two months, the index that measures **home builder confidence has stabilized**. The Housing Market Index (HMI), produced by the National Association of Home Builders (NAHB) and Wells Fargo, rose 1 point in February to 84.

"Demand conditions remain solid due to demographics, low mortgage rates and the suburban shift to lower cost markets, but we expect to see some cooling in growth rates for residential construction in 2021 due to cost factors, supply chain issues and regulatory risks," said NAHB Chief Economist Robert Dietz. "Some builders are at capacity and **may not be able to expand production due to these headwinds.**"

"Lumber prices have been steadily rising this year and hit a record high in mid-February, adding thousands of dollars to the cost of a new home and causing some builders to abruptly halt projects at a time when inventories are already at all-time lows," said NAHB Chairman Chuck Fowke. "Builders remain very focused on regulatory and other policy issues that could price out households seeking new homes in a tight market this year."

NAHB surveys its new home builder members each month, asking for their 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 component measuring current sales conditions was unchanged from January at 90, while the component measuring **sales expectations in the next six months fell 3 points to 80**. The index charting traffic of **prospective buyers rose 4 points to 72**.

Regional scores are given as three-month moving averages. The score in the Northeast rose 2 points to 78 and the Midwest declined 1 point to 81. Both the South and the West lost 2 points to 84 and 93, respectively.



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